

FLORIDA GULF COAST UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2009



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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 James A. Grattan, CPA, and the audit was supervised by Deirdre F. Waigand, 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) 922-2263.

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) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**FLORIDA GULF COAST 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 Gulf Coast University and its officers with administrative and stewardship responsibilities for University operations had:

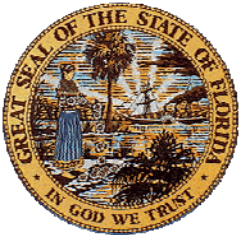
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- 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, 2009. 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, 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 University 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 University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida Gulf Coast 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, 2009, which collectively comprise the University's basic financial statements as shown on pages 12 through 39. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 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 thereon has been furnished to us, and our opinion on the financial statements, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our 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 Gulf Coast University and of its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 40, are not required parts 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
March 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION AND BACKGROUND

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, 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 University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$494.8 million at June 30, 2009. This balance reflects a \$28.6 million, or 6.1 percent, increase from the 2007-08 fiscal year, resulting, in part, from an increase in capital assets primarily from new construction projects in the amount of \$53.2 million, offset with a corresponding decrease in restricted cash and investments with State Treasury in the amount of \$25.8 million from the utilization of Alec P. Courtelis University Facility Enhancement Challenge Grant Program moneys and unspent bond proceeds. While assets grew, liabilities increased by a lesser amount of \$3.3 million, or 2 percent, totaling \$167 million at June 30, 2009, compared to \$163.7 million at June 30, 2008. As a result, the University's net assets increased by \$25.4 million, reaching a year end balance of \$327.8 million.

The University's revenues totaled \$163.2 million for the 2008-09 fiscal year, representing an 8.7 percent decrease from the 2007-08 fiscal year due mainly to decreases in capital appropriations from the Legislature and in capital grants, contracts, and donations. Operating expenses totaled \$134.3 million for the 2008-09 fiscal year, representing an increase of 7.2 percent over the 2007-08 fiscal year due mainly to an increase in employee compensation and benefits and new hires.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. Based upon the application of the criteria for determining component units, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University reporting entity as a blended component unit, and the Florida Gulf Coast University Foundation, Inc. (Foundation), is included within the University reporting entity as a discretely presented component unit. This MD&A focuses on the University, excluding the component units. MD&A information regarding the Corporation and Foundation component units can be found in their separately issued audit reports. Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to financial statements.

THE STATEMENT OF NET ASSETS

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

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

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

	<u>2009</u>	<u>2008</u>
Assets		
Current Assets	\$ 93,297	\$ 92,050
Capital Assets, Net	376,408	323,228
Other Noncurrent Assets	<u>25,126</u>	<u>50,932</u>
Total Assets	<u>494,831</u>	<u>466,210</u>
Liabilities		
Current Liabilities	21,171	26,364
Noncurrent Liabilities	<u>145,838</u>	<u>137,380</u>
Total Liabilities	<u>167,009</u>	<u>163,744</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	252,206	223,376
Restricted:		
Debt Service	1,000	1,000
Loans	589	472
Capital Projects	51,889	56,363
Other	4,262	4,032
Unrestricted	<u>17,876</u>	<u>17,223</u>
Total Net Assets	<u><u>\$ 327,822</u></u>	<u><u>\$ 302,466</u></u>

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2009, with an increase of net assets in the amount of \$25.4 million, or 8.4 percent, over the 2007-08 fiscal year. This is an indicator of the sound overall financial condition and health of the University.

The total net assets of the University increased by \$25.4 million primarily due to an increase in capital assets. The increase in liabilities is mainly due to the issuance of the Capital Improvement Revenue Bonds, Series 2009A, in the amount of \$8 million. The increase in the University's net assets is determined by subtracting the increase in total liabilities from the increase in total assets.

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

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

The following summarizes the University's activity for the 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	\$ 64,764	\$ 59,244
Operating Expenses	<u>134,319</u>	<u>125,298</u>
Operating Loss	(69,555)	(66,054)
Net Nonoperating Revenues	<u>65,180</u>	<u>67,187</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(4,375)	1,133
Other Revenues, Expenses, Gains, or Losses	<u>29,731</u>	<u>48,697</u>
Net Increase in Net Assets	25,356	49,830
Net Assets, Beginning of Year	<u>302,466</u>	<u>252,636</u>
Net Assets, End of Year	<u><u>\$ 327,822</u></u>	<u><u>\$ 302,466</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. Operating revenues generally consist of student tuition and fees, grants and contracts, and auxiliary service revenues from students and others to provide them with instruction and other goods and services.

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	\$ 29,398	\$ 25,473
Federal Grants and Contracts	6,421	6,867
State and Local Grants and Contracts	2,934	3,383
Nongovernmental Grants and Contracts	4,839	4,431
Sales and Services of Auxiliary Enterprises	20,075	18,052
Other	<u>1,097</u>	<u>1,038</u>
Total Operating Revenues	<u><u>\$ 64,764</u></u>	<u><u>\$ 59,244</u></u>

Total operating revenues for the 2008-09 fiscal year were \$64.8 million, of which \$29.4 million was from net student tuition and fees. A tuition allowance, which represents the difference between the stated charges for goods and

services provided by the University and the amount that is actually paid by a student or third party making payment on behalf of a student, totaled \$11.7 million. Its reduction of gross fees of \$41.1 million resulted in net student tuition and fees of \$29.4 million, which represents an increase of \$3.9 million, or 15.4 percent, over the 2007-08 fiscal year. Increased student enrollment and higher tuition and fee rates are the cause of the revenue increase.

Federal grants and contracts decreased by \$446 thousand and non-Federal grants and contracts decreased slightly by \$41 thousand because of the timing of the number and size of grants received through the Office of Research and Sponsored Programs. Sales and services from auxiliary enterprises reflect an 11.2 percent increase over the 2007-08 fiscal year due primarily to new student housing, the first full year’s operations for new food service facilities, and new parking facilities.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2008-09 and 2007-08 fiscal years:

Operating Expenses		
(In Thousands)		
	2008-09	2007-08
Compensation and Employee Benefits	\$ 83,171	\$ 78,644
Services and Supplies	24,839	24,618
Utilities and Communications	4,536	3,190
Scholarships, Fellowships, and Waivers	11,282	10,286
Depreciation	10,491	8,560
Total Operating Expenses	\$ 134,319	\$ 125,298

Operating expenses increased \$9 million, or 7.2 percent, due to increased compensation and employee benefits of \$4.5 million, due primarily to a one percent salary increase and a \$1,000 one-time lump sum bonus funded by the University. Services and supplies increased \$221 thousand along with slight increases for scholarships, fellowships, and waivers of \$1 million. Utility and depreciation expense increased \$1.3 and \$1.9 million, respectively, from the addition of new buildings during the fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University’s nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2008-09	2007-08
State Appropriations	\$ 51,852	\$ 56,473
Federal and State Student Financial Aid	16,227	12,569
Investment Income	615	1,785
Interest on Capital Asset-Related Debt	(3,276)	(3,497)
Other Nonoperating Expenses	(238)	(143)
Net Nonoperating Revenues	\$ 65,180	\$ 67,187

As a result of the deterioration in national economic conditions during the 2008-09 fiscal year, the University received a lower level of appropriated legislative funding for strategic initiatives, such as, to provide funding for enrollment growth, and additional funding for plant operations and maintenance. No legislative appropriations were provided for salary increases for State university employees. Federal and State student financial aid increases of \$3.7 million resulted from additional funding received from Bright Futures Scholarships and Federal Pell grants, which is a direct result of student enrollment growth of 10 percent for the 2008-09 fiscal year. Investment income decreased due to the decline in interest rates and was partially offset with a decrease in interest on capital-asset related debt.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
Capital Appropriations	\$ 28,308	\$ 34,563
Capital Grants, Contracts, Donations, and Fees	1,423	14,134
Total	\$ 29,731	\$ 48,697

Capital Appropriations also experienced decreased funding from the 2007-08 fiscal year. The decrease of \$6.3 million was the result of a decline in Public Education Capital Outlay moneys. State contributions (appropriations) for capital projects, depending upon the various stages of planning and completion, will fluctuate from year to year; however, the level of appropriations was also impacted in the 2008-09 fiscal year by the decline in economic conditions. Capital grants, contracts, donations, and fees also decreased significantly from the 2007-08 fiscal year, as there were no new Alec P. Courtelis University Facility Enhancement Program moneys.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external

financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital and related financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

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

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

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (55,511)	\$ (55,120)
Noncapital Financing Activities	66,942	69,073
Capital and Related Financing Activities	(34,410)	7,121
Investing Activities	4,784	(20,169)
Net Increase (Decrease) in Cash and Cash Equivalents	(18,195)	905
Cash and Cash Equivalents, Beginning of Year	33,407	32,502
Cash and Cash Equivalents, End of Year	\$ 15,212	\$ 33,407

Major sources of funds included in operating activities are net student tuition and fees of \$29.4 million; Federal and State and local grants and contracts of \$15.8 million; and sales and services of auxiliary enterprises of \$20.1 million. Major uses of funds were payments made to and on behalf of employees totaling \$81.6 million; payments to suppliers totaling \$28.7 million; and payments to and on behalf of students for scholarships totaling \$11.3 million. The slight increase in cash used from operating activities was due primarily to an increase in tuition and fee revenue collections offset by increased employee salaries and benefit payments.

The largest source of inflow of cash for noncapital financing activities is General State appropriations in the amount of \$51.9 million. Also included in noncapital financing revenues was Federal and State student financial aid of \$16.2 million. The overall decrease of \$2.1 million in cash provided by noncapital financing activities was primarily due to a decrease in State General appropriations of \$4.6 million, an increase of cash used for operating subsidies and transfers of \$1.1 million, and an increase in Federal and State student financial aid of \$3.7 million.

Cash used by capital and related financing activities was \$34.4 million, an increase of \$41.5 million. Net cash used was primarily due from the purchase or construction of capital assets in the amount of \$69.1 million and principal and interest paid on debt and lease in the amount of \$5.7 million offset with net proceeds received from the issuance of Capital Improvement Revenue Bonds 2009A in the amount of \$8 million, State University System Revenue Bonds 2008A Series of \$2.3 million, capital appropriations in the amount of \$28.3 million, and capital subsidies and transfers in the amount of \$1.8 million.

Cash provided by investing activities was \$4.8 million, an increase of \$24.9 million from the use of the investment of bond proceeds for capital construction in the amount of \$26 million, and a reduction in investment income of \$1 million.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the University had \$438.2 million in capital assets, less accumulated depreciation of \$61.8 million, for net capital assets of \$376.4 million. Depreciation charges for the current fiscal year totaled \$10.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30		
(In Thousands)		
	2009	2008
Land	\$ 32,605	\$ 31,270
Buildings	261,108	186,527
Construction in Progress	47,659	80,085
Infrastructure and Other Improvements	16,533	10,560
Furniture and Equipment	16,392	12,370
Library Resources	1,055	951
Property Under Capital Lease and Leasehold Improvements	658	1,011
Works of Art and Historical Treasures	273	273
Other Capital Assets	125	181
Total Capital Assets, Net	\$ 376,408	\$ 323,228

The State has approved and appropriated funds to the University's capital budget for the 2009-10 fiscal year in the amount of \$8.4 million. Public Education Capital Outlay appropriations for the 2009-10 fiscal year were for the Academic VIII building in the amount of \$3 million and Infrastructure in the amount of \$5.4 million.

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

CAPITAL EXPENSES AND COMMITMENTS

The University's major capital commitments at June 30, 2009, are as follows:

	Amount (In Thousands)
Total Commitment	\$ 116,153
Completed to Date	(47,659)
Balance Committed	\$ 68,494

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

DEBT ADMINISTRATION

As of June 30, 2009, the University had \$140.6 million in outstanding bonds payable, loan payable, and capital lease payable, representing an increase of \$7.9 million, or 6 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30		
(In Thousands)		
	<u>2009</u>	<u>2008</u>
Bonds Payable	\$ 134,729	\$ 126,605
Loan Payable	5,000	5,000
Capital Leases Payable	<u>897</u>	<u>1,100</u>
Total	<u>\$ 140,626</u>	<u>\$ 132,705</u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect of its financial position or operations during the 2009-10 fiscal year. The University’s financial outlook for the future continues to be positive. The level of State support, compensation and benefit increases, and student tuition and fee increases impact the University’s ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. General State appropriations, as a percentage of operating revenues and nonoperating revenues, represent approximately 38.9 percent of the total of these combined revenues. The level of State support is, therefore, one of the key factors influencing the University’s activities. Financial and political support from State government is expected to remain at lower levels in the short term until economic conditions improve and will be managed through tuition increases, targeted expenditure reductions, and efficiencies.

The budget that the Florida Legislature adopted for the 2009-10 fiscal year provided a 10 percent decrease for the University’s General State appropriations and is partially offset with \$3.6 million of Federal Stabilization funds. Regarding the University’s legislative priorities, the Legislature did not provide a salary increase for State university employees nor was additional funding provided for enrollment growth at State universities.

Another significant factor in the University’s economic position relates to its ability to recruit and retain high quality students. The Fall 2009 enrollment of 11,219 students increased 10 percent over the Fall 2008 enrollment of 10,198 students. First time-in-college freshman admission of 2,004 students represents a 6.3 percent increase over the 2008-09 fiscal year. Efforts to improve retention such as an aggressive marketing plan to recruit qualified students and enhanced intervention to assist academic success will help assure total enrollment continues a positive trend. In the 2009-10 fiscal year, the University expects an increase in revenue from student tuition and fees due to a combination of increased enrollment and increased student tuition and fees.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplemental information, or requests for additional financial information should be addressed to the Vice President of Administration and Finance, Florida Gulf Coast University, 10501 FGCU Boulevard South, Fort Myers, Florida 33965.

BASIC FINANCIAL STATEMENTS

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2009

	University	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 21,969	\$ 8,094,121
Investments	38,356,596	
Accounts Receivable, Net	2,235,550	146,414
Loans and Notes Receivable, Net	48,779	
Due from State	52,634,550	
Total Current Assets	93,297,444	8,240,535
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	15,190,398	
Investments		401,588
Restricted Investments	9,902,549	39,335,257
Accounts and Pledges Receivable, Net		2,475,637
Loans Receivable, Net		5,000,000
Depreciable Capital Assets, Net	295,875,641	10,849
Nondepreciable Capital Assets	80,532,314	4,551,500
Other Noncurrent Assets	32,326	
Total Noncurrent Assets	401,533,228	51,774,831
TOTAL ASSETS	\$ 494,830,672	\$ 60,015,366
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,853,248	\$ 41,833
Construction Contracts Payable	6,830,014	
Salaries and Wages Payable	3,346,800	
Deposits Payable	2,618,809	
Deferred Revenue	1,132,072	24,000
Long-Term Liabilities - Current Portion:		
Bonds Payable	2,663,246	
Capital Leases Payable	234,431	
Compensated Absences Payable	492,732	
Gift Annuities Payable		6,942
Total Current Liabilities	21,171,352	72,775

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	University	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 132,066,171	\$
Loan Payable	5,000,000	6,000,000
Capital Leases Payable	662,808	
Compensated Absences Payable	6,304,412	
Postemployment Healthcare Benefits Payable	1,804,000	
Gift Annuities Payable		155,089
Deferred Revenue		48,000
	145,837,391	6,203,089
Total Noncurrent Liabilities		
	145,837,391	6,203,089
TOTAL LIABILITIES	167,008,743	6,275,864
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	252,206,338	10,849
Restricted for Nonexpendable:		
Endowment		36,474,810
Restricted for Expendable:		
Debt Service	1,000,000	
Loans	588,810	
Capital Projects	51,888,655	
Other	4,261,599	11,576,050
Unrestricted	17,876,527	5,677,793
	327,821,929	53,739,502
TOTAL NET ASSETS		
	327,821,929	53,739,502
TOTAL LIABILITIES AND NET ASSETS	\$ 494,830,672	\$ 60,015,366

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	<u>University</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$11,653,601	\$ 29,398,475	\$
Federal Grants and Contracts	6,420,525	
State and Local Grants and Contracts	2,933,855	
Nongovernmental Grants and Contracts	4,838,844	
Sales and Services of Auxiliary Enterprises	20,075,159	
Gifts and Donations		4,234,719
Rental Income and Other		1,133,519
Other Operating Revenues	1,096,668	
Total Operating Revenues	<u>64,763,526</u>	<u>5,368,238</u>
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	83,171,060	
Services and Supplies	24,838,302	
Utilities and Communications	4,535,839	
Scholarships, Fellowships, and Waivers	11,282,334	1,308,839
Depreciation	10,491,017	6,828
General and Administrative		1,014,352
University Support		3,051,686
Program Services		4,096,009
Other Operating Expenses		1,450,000
Total Operating Expenses	<u>134,318,552</u>	<u>10,927,714</u>
Operating Loss	<u>(69,555,026)</u>	<u>(5,559,476)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	51,851,691	
Federal and State Student Financial Aid	16,226,632	
Investment Income (Loss)	614,978	(8,557,863)
Interest on Capital Asset-Related Debt	(3,276,195)	(166,763)
Other Nonoperating Expenses	(237,602)	
Net Nonoperating Revenues (Expenses)	<u>65,179,504</u>	<u>(8,724,626)</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(4,375,522)	(14,284,102)
Capital Appropriations	28,307,623	
Capital Grants, Contracts, Donations, and Fees	1,422,852	2,249,767
Increase (Decrease) in Net Assets	<u>25,354,953</u>	<u>(12,034,335)</u>
Net Assets, Beginning of Year	<u>302,466,976</u>	<u>65,773,837</u>
Net Assets, End of Year	<u>\$ 327,821,929</u>	<u>\$ 53,739,502</u>

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 29,431,975
Grants and Contracts	15,810,149
Sales and Services of Auxiliary Enterprises	20,075,159
Other Operating Receipts	831,606
Payments to Employees	(81,590,039)
Payments to Suppliers for Goods and Services	(28,740,282)
Payments to Students for Scholarships and Fellowships	(11,282,334)
Net Loans Issued to Students	(46,726)
	(55,510,492)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	51,851,691
Federal and State Student Financial Aid	16,226,632
Operating Subsidies and Transfers	(1,083,228)
Net Change in Funds Held for Others	(53,079)
	66,942,016
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	10,296,775
Capital Appropriations	28,293,146
Capital Subsidies and Transfers	1,796,147
Purchase or Construction of Capital Assets	(69,110,917)
Principal Paid on Capital Debt and Leases	(2,349,082)
Interest Paid on Capital Debt and Leases	(3,336,047)
	(34,409,978)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments, Net	3,640,793
Investment Income	1,143,012
	4,783,805
Net Decrease in Cash and Cash Equivalents	(18,194,649)
Cash and Cash Equivalents, Beginning of Year	33,407,016
Cash and Cash Equivalents, End of Year	\$ 15,212,367

**FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009**

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (69,555,026)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,491,017
Change in Assets and Liabilities:	
Receivables, Net	1,488,500
Accounts Payable	626,818
Salaries and Wages Payable	470,528
Deposits Payable	1,373,479
Compensated Absences Payable	242,493
Deferred Revenue	(1,516,301)
Postemployment Healthcare Benefits Payable	868,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (55,510,492)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES

The University recognized unrealized losses of \$478,428 on investing activities. The unrealized losses were recognized as reductions to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Blended Component Unit. Based on the application of the criteria for determining component units, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University reporting entity as a blended component unit. The Corporation was incorporated on April 11, 2003, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is a direct-support organization of the University. The Corporation was established to receive, hold, invest, and administer property and to make expenditures for the exclusive benefit of the University. Due to the substantial economic relationship between the Corporation and the University, the financial activities of the Corporation are included in the University's financial statements. An annual audit of the Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Corporation, including copies of audit reports, is available by contacting the University Controller's Office.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Florida Gulf Coast University Foundation, Inc. (Foundation), as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011, is included within the University reporting entity as a discretely presented component unit. The Foundation was incorporated on April 19, 1993, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is a direct-support organization of the University. Its purpose is to encourage, solicit, collect, receive, and administer gifts and bequests of property and funds for scientific, educational, and charitable purposes, all for the advancement of the University and its objectives. An annual audit of the Foundation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Foundation, including copies of audit reports, is available by contacting the University Controller's Office.

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

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

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's blended and discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

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

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

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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

The amount reported as restricted cash and cash equivalents for the University at June 30, 2009, includes at fair value \$14,816,069 of Corporation moneys held in the State Treasury 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 and had an effective duration of 1.84 years at June 30, 2009. The Corporation 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.

Cash and Cash Equivalent – Component Unit. Cash and cash equivalents of the Foundation (discretely presented component unit) consist of bank deposits of which \$273,129 is insured by the Federal deposit insurance with the remainder collateralized under the Florida Public Deposits Program.

Capital Assets. University capital assets consist of land, buildings, construction in progress, infrastructure and other improvements, furniture and equipment, property under capital lease, 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 University has a capitalization threshold of \$1,000 for tangible personal property and \$100,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 35 to 50 years

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

- Infrastructure and Other Improvements – 10 to 50 years
- Property Under Capital Lease – 8 to 10 years
- Furniture and Equipment:
 - Equipment (Other than Moveable) – 10 to 25 years
 - Computer Equipment – 3 to 6 years
 - Moveable Equipment – 5 to 20 years
- Library Resources – 10 years
- Works of Art and Historical Treasures – 20 years
- Other Capital Assets – 4 to 10 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, loan payable, capital leases payable, compensated absences payable, and postemployment health care benefits payable that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the 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. 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 Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Of the reported investments, \$1 million is restricted by the covenants of the bond reimbursement agreement for the Capital Improvement Revenues Bonds, Series 2008A. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

**FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

External Investment Pools

The University reported investments at fair value totaling \$48,259,145 at June 30, 2009, 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 and had an effective duration of 1.84 years at June 30, 2009. 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 pool are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

Component Unit Investments

Investments held by the University’s discretely presented component unit (Foundation) at June 30, 2009, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
U.S. Government and Federal Agency Obligations	\$ 3,910,291
Bonds, Notes and Other Debt Securities	3,932,858
Stocks and Other Equity Securities	7,279,926
Certificates of Deposit	975,000
Mutual Funds	21,686,819
Other Investments	1,951,951
Total Component Unit Investments	<u><u>\$ 39,736,845</u></u>

The Foundation’s investment policy allows for investments in equity securities traded on the three principal United States Stock Exchanges (NYSE, AMEX, and NASDAQ), and the Foundation only purchases securities of companies with at least a market capitalization of \$1 billion. For fixed income instruments, the Foundation’s policy allows investments in bonds issued by the United States Government and an agency of the United States Government, public traded corporations or their affiliates, taxable municipal bonds, preferred stocks, and real estate investment trusts.

Interest Rate Risk: The Foundation’s investment policy does not limit debt obligation maturities. The Foundation’s investments in debt securities at June 30, 2009, are reported at fair value as follows:

**FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1 Year	1 - 5 Years	5 - 10 Years	Over 10 Years
U.S. Government and Federal Agency Obligations	\$ 3,910,291	\$ 5,662	\$ 1,320,020	\$ 1,732,488	\$ 852,121
Bonds, Notes, and Other Debt Securities	3,932,858	235,074	1,877,520	1,416,977	403,287
Total	\$7,843,149	\$240,736	\$3,197,540	\$3,149,465	\$ 1,255,408

Credit Risk: As required by the Foundation’s investment policy, all corporate bond issues are rated BAA or BBB or better by Moody’s or Standard & Poor’s rating services, respectively. The Foundation’s mutual funds are not rated by a nationally recognized statistical rating organization.

Custodial Credit Risk: The Foundation utilizes the services of eight investment managers. All investments, except for certificates of deposit and debt securities, are held by the investment managers and are uninsured and unregistered, with securities held by the counter-party’s trust department or agent in the Foundation’s name. The Foundation has \$7,843,149 in debt securities, of which \$2,830,967 is held by the investment managers and is uninsured and unregistered, with securities held by the counter-party’s trust department or agent in the Foundation’s name. The Foundations has four certificates of deposit with local financial institutions totaling \$975,000. Each certificate of deposit is insured by the FDIC up to \$250,000 with the remainder uninsured and uncollateralized. The Foundation’s mutual fund investments totaling \$21,686,819 at June 30, 2009, are not exposed to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form. There were no losses during the period due to default by counter-parties to investment transactions.

Concentration of Credit Risk: The Foundations investment policy limits investment in a single corporation’s stock to 10 percent of the market value of each of its equity manager’s portfolio, and also limits investments in debt securities of a single corporate issue to 10 percent of the market value of each of its fixed income manager’s portfolio.

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 investments and loans receivable. As of June 30, 2009, the University reported the following amounts as accounts receivable:

**FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 1,351,219
Student Tuition and Fees	785,848
Other	98,483
Total Accounts Receivable, Net	\$ 2,235,550

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts, and loans 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 are reported net of allowances of \$551,335 at June 30, 2009.

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

4. DUE FROM STATE

This amount consists primarily of Public Education Capital Outlay (PECO) and Educational Enhancement (Lottery). PECO amounts due from the State to the University are for construction of University facilities.

5. CAPITAL ASSETS

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 31,269,866	\$ 1,334,868	\$	\$ 32,604,734
Works of Art and Historical Treasures	268,956			268,956
Construction in Progress	80,085,273	59,483,420	91,910,069	47,658,624
Total Nondepreciable Capital Assets	\$ 111,624,095	\$ 60,818,288	\$ 91,910,069	\$ 80,532,314
Depreciable Capital Assets:				
Buildings	\$ 208,506,315	\$ 80,245,754	\$ 24,894	\$ 288,727,175
Infrastructure and Other Improvements	14,687,249	6,703,963	26,506	21,364,706
Furniture and Equipment	29,536,951	7,538,270	1,004,325	36,070,896
Library Resources	8,237,540	543,606		8,781,146
Property Under Capital Lease	1,671,342			1,671,342
Works of Art and Historical Treasures	5,488			5,488
Other Capital Assets	999,400	54,467	14,307	1,039,560
Total Depreciable Capital Assets	263,644,285	95,086,060	1,070,032	357,660,313
Less, Accumulated Depreciation:				
Buildings	21,979,188	5,656,786	16,596	27,619,378
Infrastructure and Other Improvements	4,127,444	716,418	11,927	4,831,935
Furniture and Equipment	17,167,414	3,218,151	706,508	19,679,057
Library Resources	7,286,095	439,875		7,725,970
Property Under Capital Lease	660,826	352,083		1,012,909
Works of Art and Historical Treasures	1,004	274		1,278
Other Capital Assets	818,019	107,430	11,304	914,145
Total Accumulated Depreciation	52,039,990	10,491,017	746,335	61,784,672
Total Depreciable Capital Assets, Net	\$ 211,604,295	\$ 84,595,043	\$ 323,697	\$ 295,875,641

6. DEFERRED REVENUE

Deferred revenue consists of grants and contracts received prior to fiscal year-end related to subsequent accounting periods.

7. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2009, include bonds payable, loan payable, capital leases payable, compensated absences payable, and postemployment healthcare benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

**FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 126,604,676	\$ 10,333,934	\$ 2,209,193	\$ 134,729,417	\$ 2,663,246
Loan Payable	5,000,000			5,000,000	
Capital Lease Payable	1,100,378		203,139	897,239	234,431
Compensated Absences Payable	6,554,651	752,301	509,808	6,797,144	492,732
Postemployment Healthcare Benefits Payable	936,000	868,000		1,804,000	
Total Long-Term Liabilities	\$ 140,195,705	\$ 11,954,235	\$ 2,922,140	\$ 149,227,800	\$ 3,390,409

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

In prior years, the Florida Gulf Coast University Financing Corporation (Corporation) issued Capital Improvement Revenue Bonds, Series 2003, 2005A, 2007A, and 2008A to construct student housing facilities, Series 2007B to construct and equip an addition to the Student Union Facility, and Series 2005B and 2007C to construct student parking garages.

On January 14, 2009, the Florida Board of Governors, on behalf of the University, issued \$2,333,934 in State University System Revenue Bonds, Series 2008A. The proceeds of the bonds will be used for acquisition and construction of capital assets.

On May 7, 2009, the Corporation issued Capital Improvement Revenue Bonds, Series 2009A, in the amount of \$8 million to finance the construction and equipping of an approximately 785 space parking garage and related improvements as an addition to the Parking System located on the campus of the University.

The University has entered into a Master Ground and Operating Lease Agreement with the Corporation. The University leases land to the Corporation for a rental fee of \$1 per year. The land covered by the ground lease together with the improvements thereon is leased back to the University to manage and operate. The master lease will terminate on the date on which the Revenue Bonds and any related

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

obligations are paid in full. Revenue from the student residence facilities and parking facilities is pledged to pay rent to the Corporation or its assignees equal to the debt service on the Revenue Bonds.

To protect against the potential of rising interest rates, three separate pay-fixed, receive-variable interest rate swap agreements were previously entered into by the Florida Gulf Coast University Foundation, Inc., and were assumed by the Corporation with the issuance of the revenue bonds. The three swap agreements were consolidated into one agreement with the issuance of the Series 2003 bonds. On June 23, 2009, the Corporation paid \$17,591 and exercised its right to early termination of all transactions under the swap agreement.

The University 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
Capital Improvement Revenue Bonds:				
2003 Student Residence (Phase VI)	\$ 47,500,000	\$ 44,400,000	4.00 - 5.00	2034
2005A Student Residence (Phase VII)	8,000,000	7,500,000	.30 (2)	2035
2005B Student Parking (Phase I)	6,000,000	5,700,000	.30 (2)	2035
2007A Student Residence (Phase VIII)	25,000,000	25,107,390	4.00 - 5.00	2037
2007B Student Union Facility	6,000,000	5,900,000	.30 (2)	2037
2007C Student Parking (Phase II)	10,000,000	9,640,310	4.00 - 4.75	2037
2008A Student Residence (Phase IX)	22,000,000	22,000,000	.32 (2)	2038
2009A Student Parking (Phase III)	8,000,000	8,000,000	.30 (2)	2039
Total Auxiliary Revenue Bonds	132,500,000	128,247,700		
State University System Revenue Bonds:				
1998 Series (North Lake Rec Center)	1,853,632	1,257,739	4.00 - 5.00	2023
2001 Series (Athletic Playfields)	466,935	367,228	4.00 - 5.00	2026
2005A Series (Child Care Center)	331,538	305,446	3.62 - 4.12	2022
2006A Series (Student Union Addition)	2,427,353	2,270,999	4.00 - 5.00	2030
2008A Series (SU and Rec Fields)	2,333,934	2,280,305	4.00 - 6.50	2033
Total State University System Revenue Bonds	7,413,392	6,481,717		
Total	\$ 139,913,392	\$ 134,729,417		

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

(2) Variable interest rate at June 30, 2009.

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

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<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,663,246	\$ 4,029,226	\$ 6,692,472
2011	2,927,919	3,943,993	6,871,912
2012	3,132,334	3,854,767	6,987,101
2013	3,142,366	3,766,934	6,909,300
2014	3,259,366	3,675,794	6,935,160
2015-2019	19,059,172	16,817,642	35,876,814
2020-2024	23,345,222	13,460,212	36,805,434
2025-2029	28,097,811	9,388,649	37,486,460
2030-2034	34,210,895	4,251,662	38,462,557
2035-2039	14,475,000	524,679	14,999,679
Subtotal	134,313,331	63,713,558	198,026,889
Less: Net Bond Discounts, Premiums, and Losses on Bond Refundings	<u>416,086</u>		<u>416,086</u>
Total	<u>\$ 134,729,417</u>	<u>\$ 63,713,558</u>	<u>\$ 198,442,975</u>

Loan Payable. On March 27, 2006, the Florida Gulf Coast University Financing Corporation (Corporation) entered into a Tax Exempt Note, Series 2005, in the amount of \$5 million. The Corporation drew the entire \$5 million to purchase land for the purpose of establishing a Naples Center which reflects the outstanding balance of the loan at June 30, 2009. Principal payments are equal to all funds collected by the Foundation pursuant to a capital campaign for the Florida Gulf Coast University Naples Center Project. The obligations under the loan are secured solely by the assignment of the capital campaign. As of June 30, 2009, the Foundation had raised \$2 million of the \$5 million capital campaign toward this project. Interest is assessed on the difference between the \$5 million borrowed and the donations collected reduced by the amount of interest income earned during the year on the donations. Interest expense for the year ended June 30, 2009, was \$44,868. A schedule of future minimum payments remaining under the loan agreement cannot be amortized due to the unknown timing of capital campaign pledges and receipt of such pledges. The maturity date of the loan and all indebtedness outstanding become due on or before April 1, 2010.

Capital Leases Payable. The University entered into an energy savings contract in July 2003 and acquired equipment under a capital lease. The stated interest rate is 4.3 percent. The University also entered into a capital lease for the Voice over Internet Protocol (VOIP) system in September 2006. The stated interest rate is 4.08 percent. Principal and interest requirements on the capital leases outstanding as of June 30, 2009, are presented in the following table:

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Fiscal Year Ending June 30	Amount
2010	\$ 268,310
2011	270,185
2012	89,720
2013	91,637
2014	93,573
2015-2016	189,054
Total Minimum Payments	1,002,479
Less, Amount Representing Interest	(105,240)
Present Value of Minimum Payments	\$ 897,239

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors’ regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the University’s share of the Florida Retirement System and FICA contributions, totaled \$6,797,144. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years’ total compensated absences liability.

Postemployment Healthcare Benefits Payable. 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 administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan. 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

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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 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-go basis. For the 2008-09 fiscal year, 22 retirees received postemployment healthcare benefits. The University provided required contributions of \$204,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$318,000.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 652,000
Amortization of Unfunded Actuarial Accrued Liability	352,000
Interest on Normal Cost and Amortization	40,000
Annual Required Contribution	1,044,000
Interest on Net OPEB Obligation	38,000
Adjustment to Annual Required Contribution	(33,000)
Annual OPEB Cost (Expense)	1,049,000
Contribution Toward the OPEB Cost	(204,000)
Increase in Net OPEB Obligation	845,000
Net OPEB Obligation, Beginning of Year	936,000
Actuarial Adjustment to Beginning Net OPEB Obligation	23,000
Net OPEB Obligation, End of Year	\$ 1,804,000

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, 2009, and for the transition and preceding years, were as follows:

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Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007 (\$			\$
2007-08	1,117,000	16.2%	936,000
2008-09	1,049,000	19.4%	1,804,000

Note: (1) The first year of implementation was 2007-08.

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$10,210,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$10,210,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$58,874,299 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17.3 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 University’s OPEB actuarial valuation, as of July 1, 2007, 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

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9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 28 years.

8. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

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:

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Class	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	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

The University’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$1,700,874, \$1,776,309, and \$1,963,059, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 131 University participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$536,402.

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.

**FLORIDA GULF COAST UNIVERSITY
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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 476 University participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$3,184,316 and employee contributions totaled \$1,439,202.

9. CONSTRUCTION COMMITMENTS

The University’s major construction commitments at June 30, 2009, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Sugden Hall - Resort and Hospitality	\$ 4,010,943	\$ 256,886	\$ 3,754,057
Botanical Gardens Lab	5,024,730	1,421,748	3,602,982
Student Union Addition	12,415,972	589,441	11,826,531
Fine Arts Phase II	12,693,680	1,759,967	10,933,713
Academic 7	20,325,996	10,039,773	10,286,223
Solar Field System	7,500,001	583,888	6,916,113
FY09 Infrastructure	4,655,155	1,431,930	3,223,225
Academic 8	8,000,016		8,000,016
Parking Garage Phase III	8,000,000	4,931,584	3,068,416
Student Residence Phase IX	22,000,001	18,647,555	3,352,446
Subtotal	104,626,494	39,662,772	64,963,722
Project Balances Under \$1 Million	11,526,517	7,995,852	3,530,665
Total	<u>\$ 116,153,011</u>	<u>\$ 47,658,624</u>	<u>\$ 68,494,387</u>

FLORIDA GULF COAST UNIVERSITY
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JUNE 30, 2009

10. 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, 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 named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal civil rights and employment action coverage. All losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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.

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

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expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 39,986,700
Research	4,584,458
Public Service	3,669,598
Academic Support	12,310,789
Student Services	8,477,296
Institutional Support	18,824,494
Operation and Maintenance of Plant	7,574,019
Scholarships and Fellowships	11,282,334
Depreciation	10,491,017
Auxiliary Enterprises	<u>17,117,847</u>
Total Operating Expenses	<u><u>\$ 134,318,552</u></u>

12. SEGMENT INFORMATION

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

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JUNE 30, 2009

Condensed Statement of Net Assets

	Housing Revenue Bonds	Parking Revenue Bonds	Student Services Revenue Bonds
Assets			
Current Assets	\$ 19,340,430	\$ 5,555,876	\$ 7,733,825
Capital Assets, Net	73,885,168	16,539,093	
Other Noncurrent Assets	18,647,554	4,931,584	52,353
Total Assets	111,873,152	27,026,553	7,786,178
Liabilities			
Current Liabilities	5,038,834	1,759,881	119,616
Noncurrent Liabilities	97,047,390	22,950,310	5,800,000
Total Liabilities	102,086,224	24,710,191	5,919,616
Net Assets			
Invested in Capital Assets, Net of Related Debt	(3,304,545)	(171,021)	
Restricted - Expendable	1,000,000		
Unrestricted	12,091,473	2,487,383	1,866,562
Total Net Assets	\$ 9,786,928	\$ 2,316,362	\$ 1,866,562

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

	Housing Revenue Bonds	Parking Revenue Bonds	Student Services Revenue Bonds
Operating Revenues	\$ 12,889,320	\$ 2,257,852	\$ 2,302,281
Depreciation Expense	(1,580,967)	(343,902)	
Other Operating Expenses	(7,683,813)	(1,408,595)	(543,021)
Operating Income	3,624,540	505,355	1,759,260
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	315,989	25,360	36,695
Nonoperating Expenses	(3,380,990)	(366,457)	(1,470,010)
Net Nonoperating Expenses	(3,065,001)	(341,097)	(1,433,315)
Increase in Net Assets	559,539	164,258	325,945
Net Assets, Beginning of Year	9,227,389	2,152,104	1,540,617
Net Assets, End of Year	\$ 9,786,928	\$ 2,316,362	\$ 1,866,562

**FLORIDA GULF COAST UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Condensed Statement of Cash Flows

	Housing Revenue Bonds	Parking Revenue Bonds	Student Services Revenue Bonds
Net Cash Provided (Used) by:			
Operating Activities	\$ 4,387,520	\$ 1,206,203	\$ 113,271
Noncapital Financing Activities	(13,786,183)	6,906,682	3,518,785
Capital and Related Financing Activities	(15,763,663)	(4,060,735)	(231,622)
Investing Activities	2,559,209	96,401	(3,587,604)
Net Increase (Decrease) in Cash and Cash Equivalents	(22,603,117)	4,148,551	(187,170)
Cash and Cash Equivalents, Beginning of Year	27,431,519	75,714	6,027,887
Cash and Cash Equivalents, End of Year	\$ 4,828,402	\$ 4,224,265	\$ 5,840,717

13. RELATED PARTY TRANSACTIONS

University and Blended Component Unit

As part of a Master Ground and Operating Lease Agreement (see note 7), the University operates and pays all operating costs of the facilities leased from the Florida Gulf Coast University Financing Corporation (Corporation) from the gross rental income from the respective student residences and parking facilities. The net rental income is then paid to the Corporation by the University in arrears based on collections. The University provides office space and related occupancy costs such as utilities and use of other office machines as well as accounting and record keeping services at no cost to the Corporation.

Discretely Presented Component Unit

On March 15, 2006, the Florida Gulf Coast University Foundation, Inc. (Foundation), loaned \$5 million to the Corporation to purchase a two-acre lot in Naples as the future location of the University’s Naples Center (Naples Center). The Naples Center will offer for-credit classes and house a 300-seat auditorium. The land purchase was deemed necessary to aid in the Foundation’s fundraising efforts for construction of the Naples Center. The Corporation is responsible for the interest due on the balance not raised by donations.

The Foundation maintains a portion of its investments and had one outstanding line of credit with a financial institution. A Foundation board member was an officer of the financial institution during the fiscal year ending June 30, 2009. The Foundation investments managed by the financial institution at June 30, 2009, totaled \$16,061,573. The Foundation had an outstanding line of credit of \$6 million with the financial institution at June 30, 2009, and paid \$166,763, in interest during the fiscal year ended June 30, 2009.

**FLORIDA GULF COAST UNIVERSITY
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The Foundation maintains a portion of its fixed income investments with an investment firm. A Foundation board member was an officer of the investment firm during the fiscal year ending June 30, 2009. The Foundation investments managed by the investment firm at June 30, 2009, totaled \$5,098,286.

On July 5, 2007, the University entered into a lease agreement with the Foundation for the use of waterfront property for the University's Vester Marine Science and Environmental Education Center. The monthly lease payment of \$20,000 covers the general operating and maintenance expenses incurred by the Foundation.

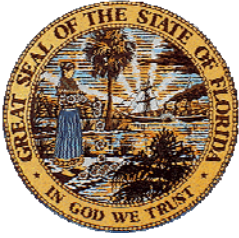
The Foundation, in conjunction with the Florida Gulf Coast University Athletics Department (Athletics), secured a gift from a local auto dealership (Dealership) of seven leased vehicles. In addition, two vehicles are also being leased from the Dealership for use by Athletics. A Foundation board member was an officer of the Dealership during the fiscal year ending June 30, 2009. The Foundation paid \$9,985 for the two leased vehicles during fiscal year ended June 30, 2009.

**FLORIDA GULF COAST UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b) (2)	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	\$ -	\$ 10,557,000	\$ 10,557,000	0%	\$ 55,932,003	18.9%
(1)	\$ -	\$ 10,210,000	\$ 10,210,000	0%	\$ 58,874,299	17.3%

Notes: (1) The most recent actuarial valuation was July 1, 2007. An update, dated October 14, 2008, took into account anticipated PPO cost increases, HMO cost increases, and retiree contribution increases used in the July 31, 2008, report on the Financial Outlook for the State Employees' Group Self-Insurance Trust Fund.

(2) The actuarial cost method used by the University is the entry-age actuarial cost method.



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

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

We have audited the basic financial statements of Florida Gulf Coast 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, 2009, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the 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, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

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

Respectfully submitted,



David W. Martin, CPA
March 19, 2010