

# FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2009



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Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

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Notes: (1) Student body president.  
(2) Faculty Senate chair.  
(3) Position remained vacant from  
January 28, 2009, to June 30,  
2009.

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

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

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

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### Audit Objectives and Scope

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

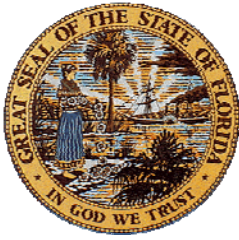
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
-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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 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

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



PHONE: 850-488-5534  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2009, which collectively comprise the University's basic financial statements as shown on pages 11 through 36. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Agricultural and Mechanical University and of its aggregate discretely presented component units as of June 30, 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 Agricultural and Mechanical University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 37, 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 25, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Florida Agricultural and Mechanical University (University) for the fiscal year ended June 30, 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 \$606.3 million at June 30, 2009. This balance reflects an \$18.2 million, or 3.1 percent, increase from the 2007-08 fiscal year, resulting primarily from an increase in noncurrent assets in the amount of \$31.8 million and a reduction of current assets of \$13.6 million. While assets grew, liabilities increased by a lesser amount of \$10.4 million, or 8.9 percent, totaling \$126.6 million at June 30, 2009, compared to \$116.2 million at June 30, 2008. As a result, the University's net assets increased by \$7.8 million, reaching a year-end balance of \$479.7 million.

The University's operating revenues totaled \$121.9 million for the 2008-09 fiscal year, representing a 1.1 percent increase over the 2007-08 fiscal year, resulting primarily from a net increase of \$5.8 million in tuition and fees net of the scholarship allowance and a decrease in other operating revenues of \$3.6 million. Operating expenses totaled \$275.7 million for the 2008-09 fiscal year, representing an increase of 1.9 percent compared to the 2007-08 fiscal year, resulting primarily from an increase in compensation and employee benefits, scholarships and fellowships, and a decrease in services and supplies for a net increase of the operating expenses of \$5.1 million.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

### THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total

liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition.

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

<b>Condensed Statement of Net Assets</b>		
<b>(In Thousands)</b>		
	2009	2008
<b>Assets</b>		
Current Assets	\$ 152,356	\$ 165,991
Capital Assets, Net	436,923	411,867
Other Noncurrent Assets	17,042	10,299
<b>Total Assets</b>	<b>606,321</b>	<b>588,157</b>
<b>Liabilities</b>		
Current Liabilities	79,689	76,637
Noncurrent Liabilities	46,903	39,584
<b>Total Liabilities</b>	<b>126,592</b>	<b>116,221</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	413,420	387,052
Restricted	36,259	53,762
Unrestricted	30,050	31,122
<b>Total Net Assets</b>	<b>\$ 479,729</b>	<b>\$ 471,936</b>

Total assets increased by \$18.2 million, total liabilities increased by \$10.4 million, and total net assets increased by \$7.8 million.

The increase in net capital assets is due primarily to the additional current year capital expenses capitalized for the Multipurpose Teaching Center/Gym, the Developmental Research School, and the University Commons, which were completed during the current year. The reduction in current assets is due primarily to a decrease in the amount of construction funds due from the State. The noncurrent assets increased primarily due to the cash balance held in escrow of \$2.5 million for an energy savings capital lease contract.

The increase in the current liabilities is primarily due to an increase in deferred revenue for capital appropriations of \$8.3 million for planned construction projects and a decrease in construction contracts payable of \$3.9 million resulting from the completed and nearly completed projects.

The noncurrent liabilities increased by \$7.3 million due primarily to a capital lease for an energy savings system in the amount of \$2.5 million, the inclusion of the Federal Capital Contribution for the Federal Perkins loan program of \$2.3 million, and a new State University System bond issue of which the University's share was \$2.7 million.

The increase in the invested in capital assets, net of related debt, is due primarily to the capitalization of the Multipurpose Teaching Center/Gym, the Developmental Research School, and the University Commons. The decrease in restricted net assets is due to a decrease in the unexpended funds in capital projects of \$15.2 million due to

project completions and a decrease in the loan fund of \$2.3 million for the reporting change for the Federal Perkins loan program.

**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:

<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets (In Thousands)</b>		
	2008-09	2007-08
Operating Revenues	\$ 121,920	\$ 120,628
Operating Expenses	275,696	270,632
<b>Operating Loss</b>	(153,776)	(150,004)
Net Nonoperating Revenues	140,238	152,393
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	(13,538)	2,389
Other Revenues, Expenses, Gains, or Losses	21,331	59,718
<b>Net Increase In Net Assets</b>	7,793	62,107
Net Assets, Beginning of Year	471,936	409,829
<b>Net Assets, End of Year</b>	\$ 479,729	\$ 471,936

**Operating Revenues**

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

The following summarizes the operating revenues by source that were used to fund operating activities during the 2008-09 and 2007-08 fiscal years:

<b>Operating Revenues (In Thousands)</b>		
	2008-09	2007-08
Net Tuition and Fees	\$ 45,262	\$ 39,437
Grants and Contracts	51,743	52,372
Sales and Services of Auxiliary Enterprises	19,825	20,095
Other	5,090	8,724
<b>Total Operating Revenues</b>	\$ 121,920	\$ 120,628

The operating revenues increased by 1.1 percent. This resulted primarily from an increase in the rates for tuition and fees.

### 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:

<b>Operating Expenses</b>		
<b>(In Thousands)</b>		
	<u>2008-09</u>	<u>2007-08</u>
Compensation and Employee Benefits	\$ 169,236	\$ 163,049
Services and Supplies	45,434	51,095
Utilities and Communications	16,291	15,620
Scholarships, Fellowships, and Waivers	24,469	21,660
Depreciation	<u>20,266</u>	<u>19,208</u>
<b>Total Operating Expenses</b>	<b><u>\$ 275,696</u></b>	<b><u>\$ 270,632</u></b>

Operating expenses increased by \$5.1 million, or 1.9 percent. This was due primarily to an increase in compensation and employee benefits (\$6.2 million) due to a \$1,000 bonus to eligible full-time employees, a pro-rated bonus for eligible part-time employees, and hiring staff to fill previously vacant positions in academic, administration, and other areas; scholarships and fellowships (\$2.8 million) related to increases in Pell program funding; and a decrease in services and supplies (\$5.7 million) due in part to the implementation of cost-cutting measures.

### 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:

<b>Nonoperating Revenues (Expenses)</b>		
<b>(In Thousands)</b>		
	<u>2008-09</u>	<u>2007-08</u>
State Appropriations	\$ 114,569	\$ 124,325
Federal and State Student Financial Aid	30,692	27,220
Investment Income	408	2,906
Other Nonoperating Revenues	90	79
Loss on Disposal of Capital Assets	(171)	(203)
Interest on Capital Asset-Related Debt	(1,458)	(1,435)
Other Nonoperating Expenses	<u>(3,892)</u>	<u>(499)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 140,238</u></b>	<b><u>\$ 152,393</u></b>

The University’s net nonoperating revenues decreased by \$12.2 million, or 8 percent, primarily due to the reduction in the State appropriations of \$9.8 million as a result of an overall reduction in State funding for the State university system; reduction in investment income of \$2.5 million due to the downturn in the investment markets; and was offset by an increase in Federal and State student financial aid of \$3.5 million mainly in the Federal Pell grant program.

Nonoperating expenses increased by \$3.4 million due mainly to the change in the reporting of the Federal Perkins loan liability. Additional information is presented in the notes to financial statements.

**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:

<b>Other Revenues, Expenses, Gains, or Losses (In Thousands)</b>		
	2008-09	2007-08
Capital Appropriations	\$ 19,625	\$ 59,038
Capital Grants, Contracts, Donations, and Fees	1,706	680
<b>Total</b>	<b>\$ 21,331</b>	<b>\$ 59,718</b>

The University’s other revenues decreased by \$38.4 million, or 64.3 percent, primarily because of a decrease of \$39.4 million in capital appropriations from the State.

**THE STATEMENT OF CASH FLOWS**

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

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

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

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (125,839)	\$ (129,966)
Noncapital Financing Activities	141,629	152,605
Capital and Related Financing Activities	(4,979)	(7,412)
Investing Activities	(10,746)	(7,718)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>65</b>	<b>7,509</b>
Cash and Cash Equivalents, Beginning of Year	8,456	947
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 8,521</b>	<b>\$ 8,456</b>

Major sources of funds came from State appropriations (\$112.3 million), net student tuition and fees (\$44.4 million), grants and contracts (\$59 million), Federal and State student financial aid (\$30.7 million), and sales and services of auxiliary enterprises (\$20.1 million). Major uses of funds are for salaries and benefits (\$166.9 million), for goods and services (\$62.5 million), scholarships and fellowships (\$24.5 million), and the purchase or construction of capital assets (\$47.7 million).

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

**CAPITAL ASSETS**

At June 30, 2009, the University had \$644.1 million in capital assets, less accumulated depreciation of \$207.2 million, for net capital assets of \$436.9 million. Depreciation charges for the current fiscal year totaled \$20.3 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	\$ 5,826	\$ 5,826
Buildings	331,336	255,126
Construction in Progress	5,696	53,851
Infrastructure and Other Improvements	54,062	53,592
Furniture and Equipment	23,178	25,161
Library Resources	16,271	17,803
Works of Art	32	41
Computer Software	501	444
Other Capital Assets	21	23
<b>Capital Assets, Net</b>	<b>\$ 436,923</b>	<b>\$ 411,867</b>

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

**CAPITAL EXPENSES AND COMMITMENTS**

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

	Amount (In Thousands)
Total Commitment	\$ 64,661
Completed to Date	<u>(5,696)</u>
<b>Balance Committed</b>	<b><u>\$ 58,965</u></b>

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 \$28.6 million in outstanding bonds and a capital lease, representing an increase of \$3.8 million, or 15.4 percent, from the prior fiscal year. This was due mainly to the inception of a capital lease agreement with Siemens to implement an energy savings system in the amount of \$2.5 million. Also the State University System issued the 2008A Series Bond Issue for capital projects, of which the University’s share was \$2.7 million. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

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

	2009	2008
Bonds Payable	\$ 26,150	\$ 24,815
Capital Lease	<u>2,484</u>	
<b>Total</b>	<b><u>\$ 28,634</u></b>	<b><u>\$ 24,815</u></b>

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

For the period July 1, 2007, through June 30, 2009, the University experienced a reduction in the State appropriations in the amount of \$17.9 million and an increase in the Educational Enhancement appropriations (Lottery Funds) of \$2.7 million, resulting in a net reduction of \$15.2 million in State support. For the fiscal year beginning July 1, 2009, State appropriations were further reduced by \$13.4 million. In order to offset these reductions, the University received Federal Stimulus funds of \$7.9 million under the American Recovery and Reinvestment Act of 2009. To improve the economic outlook will require legislative commitment to ensure proper funding of higher education. The growth in enrollment will play a key role in continuous financial stability for the University.

Currently, the University enrollment has shown an upward turn with a high quality student enrollment. Enrollment has reached approximately 12,000 students. In addition, the University has positioned itself to attract research grants. The culmination of the above factors will ensure that the University meets its mission of quality instruction, research, and public service.

#### **REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
June 30, 2009**

	<u>University</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 4,366,692	\$ 1,467,833
Investments	53,939,036	
Accounts Receivable, Net	15,614,519	2,208,055
Loans and Notes Receivable, Net	31,796	83,641
Due from State	77,707,508	
Due from Other University	266,883	
Inventories	429,594	6,205
<b>Total Current Assets</b>	<u>152,356,028</u>	<u>3,765,734</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,153,887	
Restricted Investments	11,095,590	87,769,540
Loans and Notes Receivable, Net	1,787,086	
Depreciable Capital Assets, Net	425,400,952	8,181
Nondepreciable Capital Assets	11,522,471	
Other Noncurrent Assets	5,072	
<b>Total Noncurrent Assets</b>	<u>453,965,058</u>	<u>87,777,721</u>
<b>TOTAL ASSETS</b>	<u>\$ 606,321,086</u>	<u>\$ 91,543,455</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 4,782,900	\$ 61,418
Construction Contracts Payable	2,872,299	
Salaries and Wages Payable	7,214,375	
Deposits Payable	10,481,205	
Due to State	177,147	
Deferred Revenue	50,973,299	343,350
Other Current Liabilities		27,103
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,428,895	
Capital Lease Payable	79,745	
Compensated Absences Payable	1,679,069	
<b>Total Current Liabilities</b>	<u>79,688,934</u>	<u>431,871</u>

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS (Continued)  
June 30, 2009**

	<b>University</b>	<b>Component Units</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	\$ 24,720,985	\$
Capital Lease Payable	2,403,866	
Compensated Absences Payable	16,218,318	
Postemployment Healthcare Benefits Payable	1,219,000	
Other Noncurrent Liabilities	2,341,394	
	<b>46,903,563</b>	
<b>Total Noncurrent Liabilities</b>		
	<b>46,903,563</b>	
<b>TOTAL LIABILITIES</b>	<b>126,592,497</b>	<b>431,871</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	413,420,090	
Restricted for Nonexpendable:		
Endowment		79,075,651
Restricted for Expendable:		
Debt Service	336	
Loans	1,953,180	
Capital Projects	34,305,004	
Other		10,271,520
Unrestricted	30,049,979	1,764,413
<b>TOTAL NET ASSETS</b>	<b>479,728,589</b>	<b>91,111,584</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 606,321,086</b>	<b>\$ 91,543,455</b>

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

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

	University	Component Units
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$24,423,217 (\$1,447,963 Pledged for Parking Revenue Bonds)	\$ 45,262,162	\$
Federal Grants and Contracts	44,171,611	
State and Local Grants and Contracts	5,891,994	
Nongovernmental Grants and Contracts	1,679,497	
Sales and Services of Auxiliary Enterprises (\$10,466,623 Pledged for Housing Revenue Bonds, \$1,010,392 Pledged for Parking Revenue, and \$1,921,305 Pledged for Student Services Revenue Bonds)	19,825,132	
Interest on Loans and Notes Receivable	79,126	
Other Operating Revenues	5,010,721	8,153,778
<b>Total Operating Revenues</b>	<b>121,920,243</b>	<b>8,153,778</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	169,235,658	1,092,285
Services and Supplies	45,434,447	5,355,352
Utilities and Communications	16,291,114	29,315
Scholarships, Fellowships, and Waivers	24,468,803	2,735,430
Depreciation	20,265,738	7,223
<b>Total Operating Expenses</b>	<b>275,695,760</b>	<b>9,219,605</b>
<b>Operating Loss</b>	<b>(153,775,517)</b>	<b>(1,065,827)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	114,569,467	
Federal and State Student Financial Aid	30,691,830	
Investment Income (Loss)	408,304	(22,843,236)
Other Nonoperating Revenues	90,062	
Loss on Disposal of Capital Assets	(171,419)	
Interest on Capital Asset-Related Debt	(1,458,317)	
Other Nonoperating Expenses	(3,892,323)	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>140,237,604</b>	<b>(22,843,236)</b>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(13,537,913)</b>	<b>(23,909,063)</b>
Capital Appropriations	19,624,583	
Capital Grants, Contracts, Donations, and Fees	1,705,793	
<b>Increase (Decrease) in Net Assets</b>	<b>7,792,463</b>	<b>(23,909,063)</b>
Net Assets, Beginning of Year	471,936,126	115,020,647
<b>Net Assets, End of Year</b>	<b>\$ 479,728,589</b>	<b>\$ 91,111,584</b>

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

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2009**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 44,357,208
Grants and Contracts	58,999,982
Sales and Services of Auxiliary Enterprises	20,131,750
Interest on Loans and Notes Receivable	67,516
Payments to Employees	(166,905,776)
Payments to Suppliers for Goods and Services	(62,475,658)
Payments to Students for Scholarships and Fellowships	(24,468,803)
Net Collection on Student Loans	148,602
Other Operating Receipts	4,306,015
	<b>(125,839,164)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	112,318,578
Federal and State Student Financial Aid	30,691,830
Net Change in Funds Held for Others	260,594
Other Nonoperating Disbursements	(1,642,400)
	<b>141,628,602</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt and Lease	5,125,086
Capital Appropriations	27,882,734
Capital Subsidies and Transfers	12,451,489
Purchase or Construction of Capital Assets	(47,659,133)
Principal Paid on Capital Debt and Lease	(1,327,600)
Interest Paid on Capital Debt and Lease	(1,450,943)
	<b>(4,978,367)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments, Net	(12,028,630)
Investment Income	1,282,497
	<b>(10,746,133)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>64,938</b>
Cash and Cash Equivalents, Beginning of Year	8,455,641
	<b>8,520,579</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 8,520,579</b>

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

	<b>University</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (153,775,517)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	20,265,738
Change in Assets and Liabilities:	
Receivables, Net	6,409,587
Inventories	(6,789)
Loans and Notes Receivable	148,602
Accounts Payable	(743,309)
Salaries and Wages Payable	929,030
Compensated Absences Payable	807,852
Deferred Revenues	(467,358)
Postemployment Healthcare Benefits Payable	593,000
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (125,839,164)</b>

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

The University recognized unrealized losses of \$1,456,146 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.

Losses from the disposal of capital assets of \$171,419 were recognized 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 AGRICULTURAL AND MECHANICAL 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.

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

- The Florida Agricultural and Mechanical University Foundation, Inc., is authorized to win increasing private support to meet the critical needs of the University that are not met by public funds and assist the University in maintaining its "margin of excellence."

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

- The Florida Agricultural and Mechanical University National Alumni Association, Inc., provides funds to foster scholarships and enhance the image of the University through positive public relations and public service.
- The Florida Agricultural and Mechanical University Booster Club, Inc., provides contributions to the University to stimulate the education, health, and physical welfare of the students.

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

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

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

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

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

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

The University 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.

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*.

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

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

**Capital Assets.** University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, computer software, works of art, 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 – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Works of Art – 5 years
- Computer Software – 3 to 7 years

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of bonds payable, capital lease payable, compensated absences payable, postemployment healthcare benefits payable, and other noncurrent liabilities, 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.

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

**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) and 1011.42(5), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

**External Investment Pools**

The University reported investments at fair value totaling \$65,034,626, 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. SPIA carried a credit rating of A+f by Standard and 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 investment pool are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

**Component Units Investments**

Investments held by the University’s component unit, Florida Agricultural and Mechanical University Foundation, Inc., at June 30, 2009, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Money Market Funds	\$ 77,008,141
Bonds	10,011,042
Certificates of Deposits	250,357
Real Estate Contracts	<u>500,000</u>
<b>Total Component Unit Investments</b>	<b><u>\$ 87,769,540</u></b>

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

**3. RECEIVABLES**

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans. As of June 30, 2009, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$ 20,957,399
Contracts and Grants	7,866,456
Other	747,565
<b>Total Accounts Receivable</b>	29,571,420
Allowance for Doubtful Accounts	(13,956,901)
<b>Total Accounts Receivable, Net</b>	<b>\$ 15,614,519</b>

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

**Allowance for Uncollectible Receivables.** Allowances for uncollectible accounts, and loans and notes receivable, are reported based on management’s best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$13,956,901 and \$871,548, respectively, at June 30, 2009.

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

**4. DUE FROM STATE**

This amount primarily consists of the final distribution of the Educational Enhancement funds for the 2008-09 fiscal year, Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

**5. CAPITAL ASSETS**

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

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 5,826,333	\$	\$	\$ 5,826,333
Construction in Progress	53,851,473	1,404,377	49,559,712	5,696,138
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 59,677,806</b>	<b>\$ 1,404,377</b>	<b>\$ 49,559,712</b>	<b>\$ 11,522,471</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 345,129,142	\$ 82,930,348	\$ 99,015	\$ 427,960,475
Infrastructure and Other Improvements	62,377,644	1,678,997		64,056,641
Furniture and Equipment	84,448,752	7,490,659	3,974,915	87,964,496
Library Resources	50,695,962	1,625,588	804,583	51,516,967
Works of Art	114,952			114,952
Computer Software	1,197,443	177,838	425,705	949,576
Other Capital Assets	22,700		1,800	20,900
<b>Total Depreciable Capital Assets</b>	<b>543,986,595</b>	<b>93,903,430</b>	<b>5,306,018</b>	<b>632,584,007</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	90,002,636	6,635,671	13,862	96,624,445
Infrastructure and Other Improvements	8,785,940	1,208,424		9,994,364
Furniture and Equipment	59,288,165	9,179,521	3,681,073	64,786,613
Library Resources	32,893,413	3,157,734	804,583	35,246,564
Works of Art	73,771	8,943		82,714
Computer Software	753,658	75,445	380,748	448,355
<b>Total Accumulated Depreciation</b>	<b>191,797,583</b>	<b>20,265,738</b>	<b>4,880,266</b>	<b>207,183,055</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 352,189,012</b>	<b>\$ 73,637,692</b>	<b>\$ 425,752</b>	<b>\$ 425,400,952</b>

**6. DEFERRED REVENUE**

Deferred revenue includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2009, to spend the funds; money drawn in advance of incurring expenses for cost reimbursement contracts and grants; and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2009, the University reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	\$ 46,357,635
Contracts and Grants	3,521,414
Other	1,094,250
<b>Total Deferred Revenue</b>	<b>\$ 50,973,299</b>

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

**7. LONG-TERM LIABILITIES**

Long-term liabilities of the University at June 30, 2009, include bonds payable, capital lease payable, compensated absences payable, postemployment healthcare benefits payable, and other noncurrent liabilities. Other noncurrent liabilities consist of Federal Perkins Loan Capital Contributions. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 24,814,860	\$ 2,684,211	\$ 1,349,191	\$ 26,149,880	\$ 1,428,895
Capital Lease Payable		2,483,611		2,483,611	79,745
Compensated Absences Payable	17,089,535	2,279,254	1,471,402	17,897,387	1,679,069
Postemployment Healthcare Benefits Payable	626,000	1,562,000	969,000	1,219,000	
Other Noncurrent Liabilities		2,341,394		2,341,394	
<b>Total Long-Term Liabilities</b>	<b>\$ 42,530,395</b>	<b>\$ 11,350,470</b>	<b>\$ 3,789,593</b>	<b>\$ 50,091,272</b>	<b>\$ 3,187,709</b>

**Bonds Payable.** 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
<b>Auxiliary Revenue Bonds:</b>				
1992 Student Apartments	\$ 7,400,000	\$ 5,005,933	6.45 - 6.50	2023
1996 Student Apartments	11,185,000	8,281,086	5.400 - 5.625	2025
1997 Student Services Center	6,310,000	3,330,076	5.0 - 5.4	2017
1997 Parking Garage	2,880,000	1,617,161	4.9 - 5.3	2018
<b>Total Auxiliary Revenue Bonds</b>	<b>27,775,000</b>	<b>18,234,256</b>		
<b>State University System Revenue Bonds:</b>				
1997A Series	1,275,005	862,547	4.75 - 5.00	2016
2003A Series	507,188	214,187	5.00	2013
2005A Series	1,784,556	1,472,788	3.625 - 4.125	2022
2006A Series	2,874,154	2,743,569	4.00 - 5.00	2030
2008A Series	2,684,211	2,622,533	4.00 - 6.50	2033
<b>Total State University System Revenue Bonds</b>	<b>9,125,114</b>	<b>7,915,624</b>		
<b>Total</b>	<b>\$ 36,900,114</b>	<b>\$ 26,149,880</b>		

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

Auxiliary revenue bonds were issued to construct student parking garages, student housing facilities, and student service facilities. Auxiliary 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.

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

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

On January 14, 2009, the State Board of Education issued the University System Improvement Revenue Bonds, Series 2008A, for buildings and facilities for eleven universities. Florida Agricultural and Mechanical University’s portion of the proceeds totaled \$2,684,211 of the \$60 million issued.

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,428,895	\$ 1,454,788	\$ 2,883,683
2011	1,504,454	1,381,058	2,885,512
2012	1,586,725	1,302,301	2,889,026
2013	1,679,339	1,218,405	2,897,744
2014	1,721,350	1,128,543	2,849,893
2015-1019	8,350,421	4,189,149	12,539,570
2020-2024	6,840,188	2,059,529	8,899,717
2025-2029	2,324,605	591,968	2,916,573
2030-2033	924,765	131,471	1,056,236
<b>Subtotal</b>	26,360,742	13,457,212	39,817,954
Less: Net Bond Discounts, Premiums, and Losses on Bond Refundings	(210,862)		(210,862)
<b>Total</b>	<u>\$ 26,149,880</u>	<u>\$ 13,457,212</u>	<u>\$ 39,607,092</u>

**Capital Lease Payable.** The University entered into an energy savings contract on May 5, 2009, under a capital lease agreement. The stated interest rate is 4.5 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2009, are as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Fiscal Year Ending June 30	Amount
2010	\$ 79,745
2011	318,981
2012	318,981
2013	318,981
2014	318,981
2015-2019	1,594,905
2020	239,236
<b>Total Minimum Payments</b>	3,189,810
Less, Amount Representing Interest	(706,199)
<b>Present Value of Minimum Payments</b>	<b>\$2,483,611</b>

**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the University’s share of the Florida Retirement System and FICA contributions, totaled \$17,897,387. 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

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than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

*Funding Policy.* Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 192 retirees received postemployment healthcare benefits. The University provided required contributions of \$969,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,281,000.

*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)	\$ 595,000
Amortization of Unfunded Actuarial Accrued Liability	816,000
Interest on Normal Cost and Amortization	<u>56,000</u>
<b>Annual Required Contribution</b>	<b>1,467,000</b>
Interest on Net OPEB Obligation	29,000
Adjustment to Annual Required Contribution	<u>(25,000)</u>
<b>Annual OPEB Cost (Expense)</b>	<b>1,471,000</b>
Contribution Toward the OPEB Cost	<u>(969,000)</u>
<b>Increase in Net OPEB Obligation</b>	<b>502,000</b>
Net OPEB Obligation, Beginning of Year	626,000
Actuarial Adjustment to Beginning Net OPEB Obligation	<u>91,000</u>
<b>Net OPEB Obligation, End of Year</b>	<b><u><u>\$ 1,219,000</u></u></b>

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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:

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

*Funded Status and Funding Progress.* As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$23,677,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$23,677,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$114,645,755 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.7 percent.

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

*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, which is the University’s expectation of investment

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returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for employees covered by Medicare was 9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps. 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.

**Other Noncurrent Liabilities.** Represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or have excess cash in the loan program. Federal capital contributions held by the University totaled \$2,341,394 at June 30, 2009.

## 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.

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The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions, including employee contributions, for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$5,522,732, \$5,799,377, and \$6,089,283, 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 126 University participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$577,258.

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

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

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

There were 730 University participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$4,585,160, and employee contributions made to the Program totaled \$2,144,760.

## **9. CONSTRUCTION COMMITMENTS**

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

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Project Description	Total Commitment	Completed to Date	Balance Committed
Tucker Hall Renovation	\$21,474,914	\$ 308,679	\$21,166,235
Jones Hall Remodeling	12,623,450	635,502	11,987,948
Recreation Center - Phase II	8,532,458	162,424	8,370,034
Gore Education Complex Remodeling	8,301,606	349,458	7,952,148
Utilities and Infrastructure	5,000,000	102,445	4,897,555
Pharmacy - Phase II	3,071,000	35,115	3,035,885
Maintenance and Renovations	1,736,508	737,113	999,395
Chilled Water	2,180,755	1,833,081	347,674
Maintenance and Renovations	1,704,588	1,509,317	195,271
Lafayette Vineyards/Viticulture	35,801	23,004	12,797
<b>Total</b>	<b>\$64,661,080</b>	<b>\$5,696,138</b>	<b>\$58,964,942</b>

**10. OPERATING LEASE COMMITMENTS**

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2010	\$ 538,806
2011	531,829
2012	485,527
2013	472,195
2014	392,582
2015-2019	1,579,267
2020-2024	1,551,529
2025-2026	775,765
<b>Total Minimum Payments Required</b>	<b>\$6,327,500</b>

**11. 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

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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.

**12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

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Functional Classification	Amount
Instruction	\$ 74,424,863
Research	24,811,694
Public Services	3,154,190
Academic Support	39,391,755
Student Services	9,605,342
Institutional Support	33,864,434
Operation and Maintenance of Plant	21,717,772
Scholarships and Fellowships	24,468,803
Depreciation	20,265,738
Auxiliary Enterprises	23,878,010
Loan Operations	113,159
<b>Total Operating Expenses</b>	<b><u><u>\$ 275,695,760</u></u></b>

**13. 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:

**Condensed Statement of Net Assets**

	Housing Revenue Bonds	Parking Revenue Bonds	Student Services Revenue Bonds
<b>Assets</b>			
Current Assets	\$ 4,058,497	\$ 1,273,700	\$ 3,895,703
Capital Assets, Net	17,995,986	2,357,703	6,456,291
<b>Total Assets</b>	22,054,483	3,631,403	10,351,994
<b>Liabilities</b>			
Current Liabilities	1,862,621	211,572	420,818
Noncurrent Liabilities	13,042,375	1,563,086	3,067,311
<b>Total Liabilities</b>	14,904,996	1,774,658	3,488,129
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	4,575,986	727,703	3,101,291
Restricted - Expendable	2,019,884	153,807	53,782
Unrestricted	553,617	975,235	3,708,792
<b>Total Net Assets</b>	\$ 7,149,487	\$ 1,856,745	\$ 6,863,865

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

	Housing Revenue Bonds	Parking Revenue Bonds	Student Services Revenue Bonds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating Revenues	\$ 10,466,623	\$ 2,458,356	\$ 1,921,305
Depreciation Expense	(634,333)	(104,895)	(188,812)
Other Operating Expenses	<u>(7,645,334)</u>	<u>(2,233,875)</u>	<u>(1,494,118)</u>
<b>Operating Income</b>	<u>2,186,956</u>	<u>119,586</u>	<u>238,375</u>
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	54	5,239	10,245
Interest Expense	(827,604)	(91,220)	(193,163)
Other Nonoperating Expenses	<u>(1,552,186)</u>	<u>                    </u>	<u>(678)</u>
<b>Net Nonoperating Expenses</b>	<u>(2,379,736)</u>	<u>(85,981)</u>	<u>(183,596)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(192,780)</u>	<u>33,605</u>	<u>54,779</u>
Net Assets, Beginning of Year	<u>7,342,267</u>	<u>1,823,140</u>	<u>6,809,086</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 7,149,487</u></u>	<u><u>\$ 1,856,745</u></u>	<u><u>\$ 6,863,865</u></u>

**Condensed Statement of Cash Flows**

	Housing Revenue Bonds	Parking Revenue Bonds	Student Services Revenue Bonds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Cash Provided (Used) by:			
Operating Activities	\$ 3,278,702	\$ 182,356	\$ 1,999,626
Noncapital Financing Activities	(1,500,000)	5,232	
Capital and Related Financing Activities	(1,423,106)	(231,052)	(609,255)
Investing Activities	<u>(1,499,945)</u>	<u>494,606</u>	<u>500,000</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(1,144,349)</u>	<u>451,142</u>	<u>1,890,371</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,416,445</u>	<u>540,436</u>	<u>2,005,271</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 272,096</u></u>	<u><u>\$ 991,578</u></u>	<u><u>\$ 3,895,642</u></u>

**14. COMPONENT UNITS**

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

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	Direct-Support Organizations			Total
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	Florida Agricultural and Mechanical University Boosters Club, Inc.	
<b>Condensed Statement of Net Assets</b>				
Assets:				
Current Assets	\$ 3,412,805	\$ 39,922	\$ 313,007	\$ 3,765,734
Capital Assets, Net	3,938		4,243	8,181
Other Noncurrent Assets	86,469,465	1,300,075		87,769,540
<b>Total Assets</b>	<b>89,886,208</b>	<b>1,339,997</b>	<b>317,250</b>	<b>91,543,455</b>
Liabilities:				
Current Liabilities	66,698	20,000	345,173	431,871
<b>Total Liabilities</b>	<b>66,698</b>	<b>20,000</b>	<b>345,173</b>	<b>431,871</b>
Net Assets:				
Restricted	88,285,754	1,061,417		89,347,171
Unrestricted	1,533,756	258,580	(27,923)	1,764,413
<b>Total Net Assets</b>	<b>\$ 89,819,510</b>	<b>\$ 1,319,997</b>	<b>\$ (27,923)</b>	<b>\$ 91,111,584</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
Operating Revenues	\$ 7,426,589	\$ 346,429	\$ 380,760	\$ 8,153,778
Operating Expenses	(8,468,926)	(345,682)	(404,997)	(9,219,605)
<b>Operating Income (Loss)</b>	<b>(1,042,337)</b>	<b>747</b>	<b>(24,237)</b>	<b>(1,065,827)</b>
Net Nonoperating Revenue (Expenses)	(22,898,254)	54,108	910	(22,843,236)
<b>Increase (Decrease) in Net Assets</b>	<b>(23,940,591)</b>	<b>54,855</b>	<b>(23,327)</b>	<b>(23,909,063)</b>
Net Assets, Beginning of Year	113,760,101	1,265,142	(4,596)	115,020,647
<b>Net Assets, End of Year</b>	<b>\$ 89,819,510</b>	<b>\$ 1,319,997</b>	<b>\$ (27,923)</b>	<b>\$ 91,111,584</b>

Note: (1) Add description of adjustment to Beginning Net Assets.

**15. JOINTLY GOVERNED ORGANIZATION**

The University's Board of Trustees and the Board of Trustees of Bethune-Cookman University created the Florida Classic Consortium Corporation (FCCC). The FCCC Board is composed of six members each from the University and Bethune-Cookman University. The primary purpose of FCCC is to organize, sponsor, manage, produce, promote, and participate in the athletic contest specifically known as the Florida Classic (a football contest between the University and Bethune-Cookman University); to solicit, raise and otherwise receive funds from sponsors and the general public; and to use, contribute, disburse, and dispose of such funds for the above purpose and the athletic programs of the University and Bethune-Cookman University.

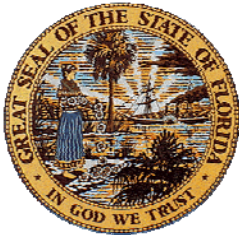
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According to a report issued by an independent certified public accounting firm, the University received \$1,127,730 and \$53,377 in February 2009 and March 2009, respectively, of proceeds from the Florida Classic football game held on November 22, 2008.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued 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	\$ -	\$ 25,388,000	\$ 25,388,000	0%	\$ 111,976,892	22.7%
(1)	\$ -	\$ 23,677,000	\$ 23,677,000	0%	\$ 114,645,755	20.7%

- 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.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
FAX: 850-488-6975

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

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

We have audited the basic financial statements of Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 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 aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

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

A *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 25, 2010