

FLORIDA GULF COAST UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Notes: (1) Student body president.
(2) Faculty Senate Chair.
(3) Position remained vacant from May 29, 2014,
through June 30, 2014.

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

The audit team leader was Wesley Laurent, 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) 412-2869.

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

**FLORIDA GULF COAST UNIVERSITY
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	13
Statement of Revenues, Expenses, and Changes in Net Position.....	15
Statement of Cash Flows	16
Notes to Financial Statements	18
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	42
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	43
Report on the Financial Statements	43
Internal Control Over Financial Reporting.....	43
Compliance and Other Matters.....	44
Purpose of this Report.....	44

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:

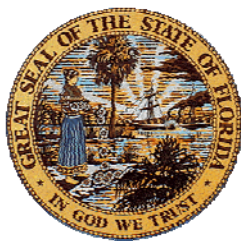
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- 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, 2014. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Report on the 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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and discretely presented component units, as described in note 1 to the financial statements. The financial statements of the Florida Gulf Coast University Financing Corporation, a blended component unit, represents 42.1 percent, 9.4 percent, and 9.1 percent, respectively, of the assets, net position, and revenues, reported for Florida Gulf Coast University. The financial statements of the discretely presented component unit represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
November 24, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

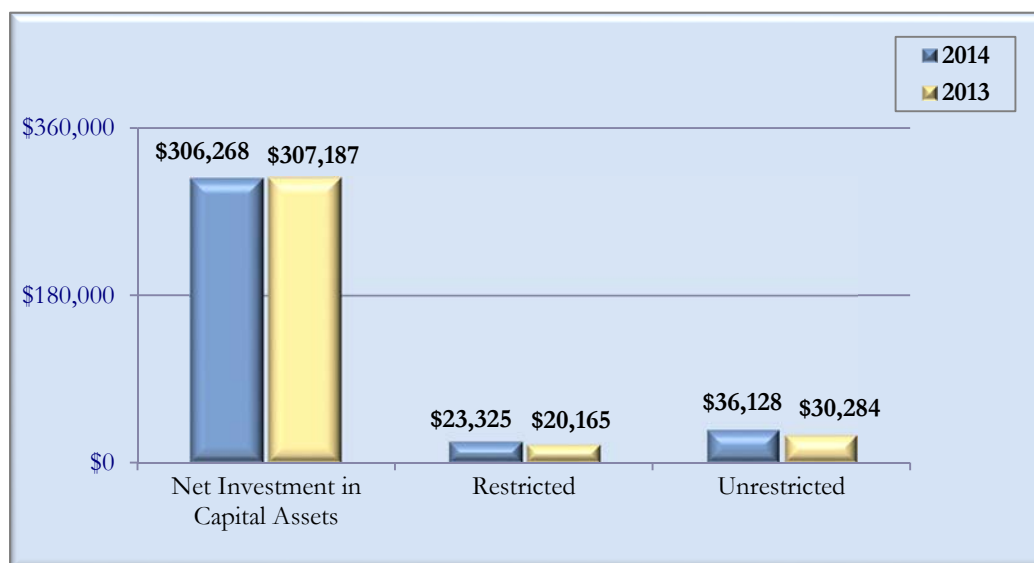
FINANCIAL HIGHLIGHTS

The University's assets totaled \$631.8 million at June 30, 2014. This balance reflects a \$8.3 million, or 1.3 percent, increase as compared to the 2012-13 fiscal year, resulting from increases in State noncapital appropriations and incomes related to an increase in student enrollment. The increase in assets was accompanied with a slight increase in liabilities of \$244 thousand, or 0.1 percent, totaling \$266 million at June 30, 2014, compared to \$265.8 million at June 30, 2013. As a result, the University's net position increased by \$8.1 million, resulting in a year-end balance of \$365.7 million.

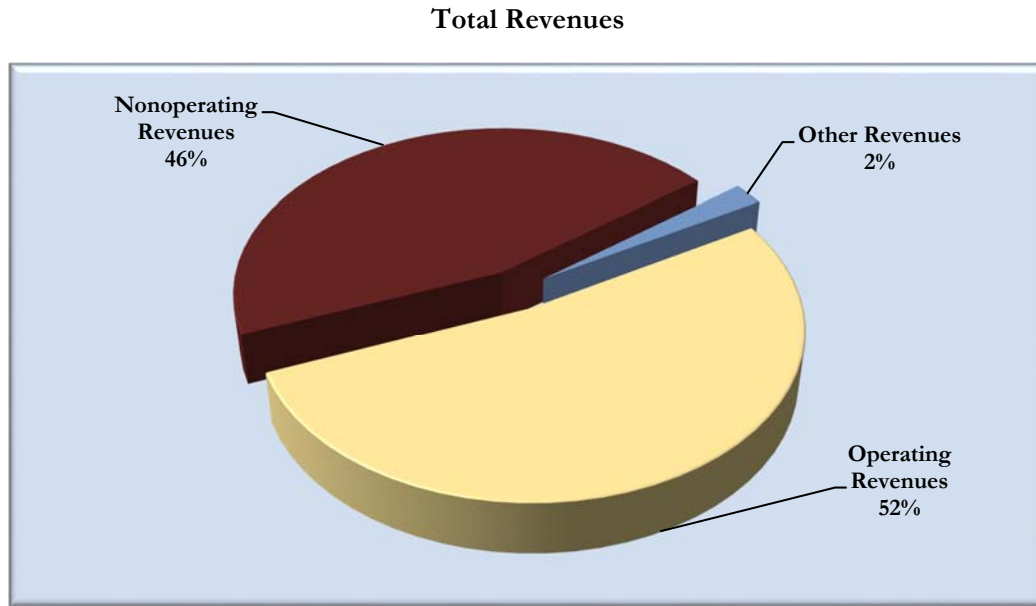
The University's revenues totaled \$203.5 million for the 2013-14 fiscal year, representing a 12.4 percent increase from the 2012-13 fiscal year primarily due to increases in State noncapital appropriations, student tuition and fees, and sales and services of auxiliary enterprises. Operating expenses totaled \$187.5 million for the 2013-14 fiscal year, representing an increase of 6.2 percent over the 2012-13 fiscal year due mainly to increases in compensation and employee benefits and scholarship and fellowships.

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

**Net Position
(In Thousands)**



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



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component 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 discretely presented component unit. MD&A information regarding the Corporation and Foundation component units can be found in their separately issued audit reports. Information regarding these component units is presented in the notes to financial statements.

THE STATEMENT OF NET POSITION

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

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

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

	2014	2013
Assets		
Current Assets	\$ 79,235	\$ 67,714
Capital Assets, Net	532,128	515,582
Other Noncurrent Assets	20,396	40,134
Total Assets	<u>631,759</u>	<u>623,430</u>
Liabilities		
Current Liabilities	20,627	19,872
Noncurrent Liabilities	245,411	245,922
Total Liabilities	<u>266,038</u>	<u>265,794</u>
Net Position		
Net Investment in Capital Assets	306,268	307,187
Restricted	23,325	20,165
Unrestricted	36,128	30,284
Total Net Position	<u>\$ 365,721</u>	<u>\$ 357,636</u>

The University's financial position, as a whole, increased during the fiscal year ended June 30, 2014, with an increase of net position in the amount of \$8.1 million, or 2.3 percent, from the 2012-13 fiscal year. The University continues to experience sound overall financial condition and health.

Total assets increased \$8.3 million, mainly in current assets. Invested funds grew as a result of increased State noncapital appropriations. The increase in net capital assets was primarily from the continued construction of student housing offset by annual depreciation of University assets. Other noncurrent assets decreased as construction costs reduced unspent bond proceeds.

Total liabilities increased \$244 thousand. Construction contracts payable and the liability for other postemployment benefits and loans payable increased while unearned revenues and bonds payable decreased. The change in the University's net position is determined by subtracting the increase in total liabilities from the increase in total assets. Restricted net position includes \$7.8 million in the required debt service reserve accounts for Capital Improvement Revenue Bonds, Series 2010A, 2010B, 2011A, 2013A, and Loan Agreement 2005A, and \$3 million restricted by the covenants of the Series 2007B, 2008A and 2009A bond reimbursement agreements.

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

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

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

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

	2013-14	2012-13
Operating Revenues	\$ 106,565	\$ 103,795
Less, Operating Expenses	<u>187,491</u>	<u>176,560</u>
Operating Income (Loss)	(80,926)	(72,765)
Net Nonoperating Revenues	<u>84,733</u>	<u>65,149</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	3,807	(7,616)
Other Revenues, Expenses, Gains, or Losses	<u>4,278</u>	<u>5,009</u>
Net Increase (Decrease) In Net Position	8,085	(2,607)
Net Position, Beginning of Year	<u>357,636</u>	<u>360,243</u>
Net Position, End of Year	<u>\$ 365,721</u>	<u>\$ 357,636</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.

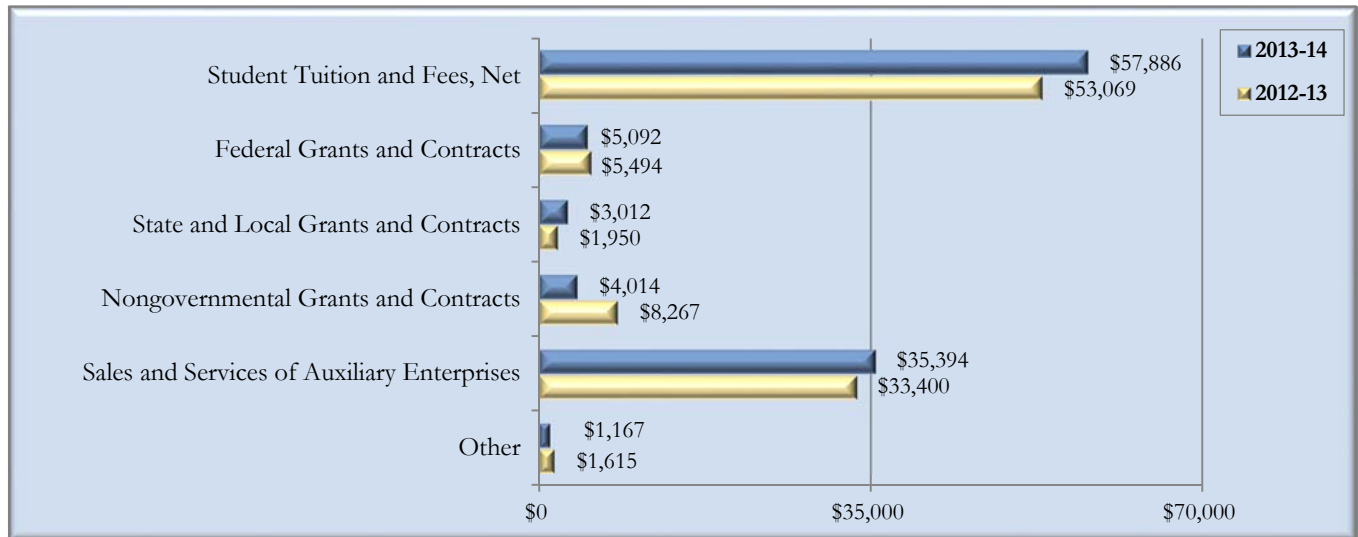
The following summarizes the operating revenues by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

**Operating Revenues
(In Thousands)**

	2013-14	2012-13
Student Tuition and Fees, Net	\$ 57,886	\$ 53,069
Federal Grants and Contracts	5,092	5,494
State and Local Grants and Contracts	3,012	1,950
Nongovernmental Grants and Contracts	4,014	8,267
Sales and Services of Auxiliary Enterprises	35,394	33,400
Other	<u>1,167</u>	<u>1,615</u>
Total Operating Revenues	<u>\$ 106,565</u>	<u>\$ 103,795</u>

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

**Operating Revenues
(In Thousands)**



University operating revenue changes were the result of the following factors:

- Total operating revenues for the 2013-14 fiscal year were \$106.6 million, of which \$57.9 million were 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 \$28.9 million. The reduction of gross fees of \$86.8 million resulted in net student tuition and fees of \$57.9 million, which represents an increase of \$4.8 million, or 9.1 percent, over the 2012-13 fiscal year. Increased student enrollment is the main reason for the revenue increase.
- Sales and services of auxiliary enterprises reflect a \$2 million, or 6 percent, increase over the 2012-13 fiscal year primarily due to the impact of the growth of student population on housing, health, and parking fees.
- Federal and non-Federal grants and contracts decreased by \$3.6 million because of the timing, number, and size of grants received through the Office of Research and Graduate Studies.

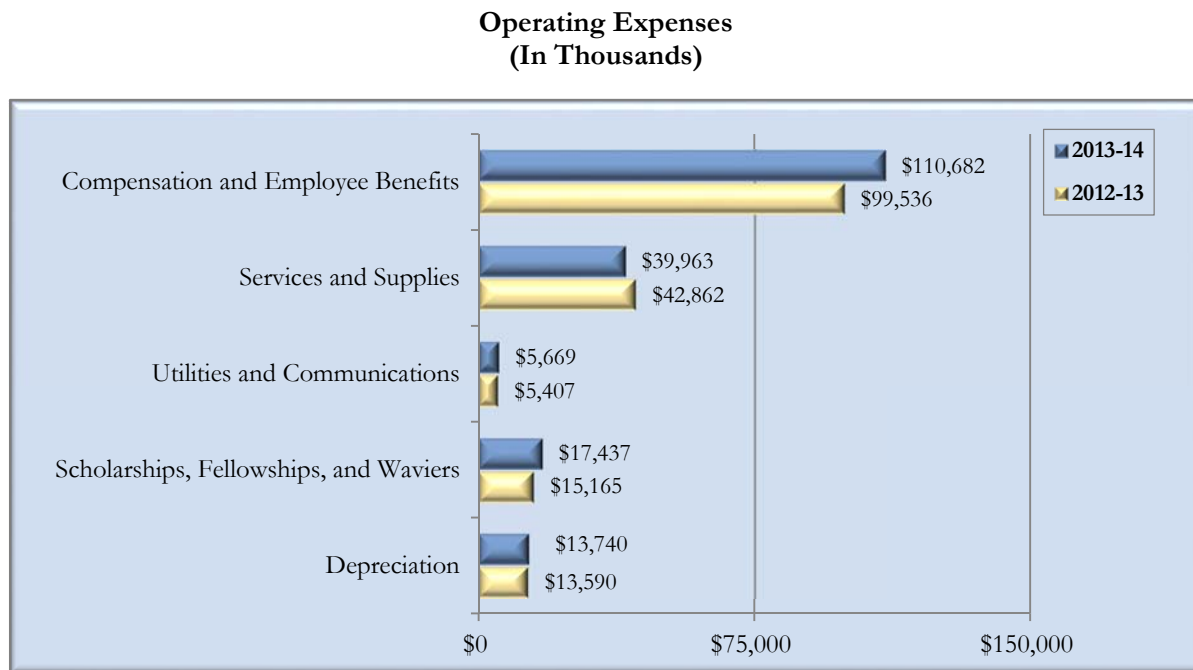
Operating Expenses

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

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

Operating Expenses For the Fiscal Years (In Thousands)		
	2013-14	2012-13
Compensation and Employee Benefits	\$ 110,682	\$ 99,536
Services and Supplies	39,963	42,862
Utilities and Communications	5,669	5,407
Scholarships, Fellowships, and Waivers	17,437	15,165
Depreciation	13,740	13,590
Total Operating Expenses	\$ 187,491	\$ 176,560

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



Total operating expenses for the 2013-14 fiscal year were \$187.5 million, an increase of \$10.9 million, or 6.2 percent, over the 2012-13 fiscal year. Compensation and employee benefits increased \$11.1 million, or 11.2 percent, from increases in the number of faculty and staff, a salary increase of 3.5 percent in October 2013, as well as increase in the accruals for compensated absences and other post-employment benefits. Services and supplies decreased \$2.9 million, which was primarily associated with the reduction in revenues from grants and contracts.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	\$ 59,565	\$ 42,214
Federal and State Student Financial Aid	28,628	27,292
Investment Income	1,448	86
Other Nonoperating Revenues	2,978	2,555
Interest on Capital Asset-Related Debt	(7,615)	(6,804)
Other Nonoperating Expenses	(271)	(194)
Net Nonoperating Revenues	\$ 84,733	\$ 65,149

The increase of \$19.6 million or 30.1 percent in net nonoperating revenues is primarily due to the increase in State noncapital appropriations. State noncapital appropriations increased \$17.4 million or 41.1 percent primarily as legislative priorities for the University included the restoration of the 2012-13 fiscal year budget cut of \$5.2 million and a University specific recurring special appropriation of \$6.5 million to support programs designed to enhance student success. In addition, the University was awarded \$2.2 million in Performance-Based Funding for the 2013-14 fiscal year.

Other Revenues, Expenses, Gains, or Losses

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

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

	2013-14	2012-13
State Capital Appropriations	\$ 3,108	\$ 4,935
Capital Grants, Contracts, Donations, and Fees	1,170	74
Total	\$ 4,278	\$ 5,009

State capital appropriations decreased \$1.8 million, or 37 percent, as compared to the 2012-13 fiscal year. State contributions (appropriations) for capital projects, depending upon the various stages of planning and completion, will fluctuate from year to year.

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 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$ (64,285)	\$ (54,177)
Noncapital Financing Activities	91,094	72,035
Capital and Related Financing Activities	(37,655)	7,075
Investing Activities	(11,621)	(6,967)
Net Increase (Decrease) in Cash and Cash Equivalents	(22,467)	17,966
Cash and Cash Equivalents, Beginning of Year	25,403	7,437
Cash and Cash Equivalents, End of Year	\$ 2,936	\$ 25,403

Major sources of funds included in operating activities are net student tuition and fees of \$57.7 million; Federal, State and local grants and contracts of \$11.6 million; and sales and services of auxiliary enterprises of \$35.4 million. Major uses of funds were payments made to and on behalf of employees totaling \$105.4 million; payments to suppliers totaling \$45.8 million; and payments to and on behalf of students for scholarships and fellowships totaling \$17.4 million. The increase in cash used by operating activities was due primarily to an increase in cash used for payments to employees and a decrease in cash provided by grants and contracts offset by an increase in cash provided by net student tuition and fees.

The largest source of inflow of cash from noncapital financing activities was State noncapital appropriations in the amount of \$59.6 million. Also included in noncapital financing revenues was Federal and State student financial aid of \$28.6 million, and \$48.9 million of Federal direct loan program receipts. The major use of funds was Federal direct loan program disbursements of \$48.9 million.

Cash used by capital and related financing activities was \$37.7 million. Net cash used was primarily due from \$27.6 million for the purchase or construction of capital assets and \$12.4 million in principal and interest payments on asset related debt.

Cash used by investing activities was \$11.6 million from the net purchases of investments.

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

CAPITAL ASSETS

At June 30, 2014, the University had \$642.6 million in capital assets, less accumulated depreciation of \$110.5 million, for net capital assets of \$532.1 million. Depreciation charges for the current fiscal year totaled \$13.7 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)

	2014	2013
Land	\$ 57,358	\$ 56,142
Buildings	402,904	409,855
Construction in Progress	33,491	9,202
Infrastructure and Other Improvements	19,601	20,233
Furniture and Equipment	14,646	16,198
Library Resources	1,567	1,381
Property Under Capital Lease	115	169
Works of Art and Historical Treasures	2,349	2,242
Other Capital Assets	96	160
Capital Assets, Net	\$ 532,127	\$ 515,582

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

CAPITAL EXPENSES AND COMMITMENTS

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

	Amount (In Thousands)
Total Committed	\$ 42,600
Completed to Date	(33,491)
Balance Committed	\$ 9,109

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

DEBT ADMINISTRATION

As of June 30, 2014, the University had \$225.9 million in outstanding bonds payable, loans payable, and capital leases payable, representing a decrease of \$4.8 million, or 2.1 percent, from the prior fiscal year resulting from principal payments totaling \$16.7 million offset by \$11.9 million in new loans payable. 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)

	2014	2013
Bonds Payable	\$ 208,967	\$ 225,174
Loans Payable	16,600	5,000
Capital Leases Payable	293	439
Total	\$ 225,860	\$ 230,613

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 on its financial position or operations during the 2014-15 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. State noncapital appropriations, as a percentage of operating revenues and nonoperating revenues, represent 29.9 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 increase as economic conditions improve. While student enrollment increases, student tuition and fees will remain at the same level in the 2014-15 fiscal year, and resources will continue to be managed through expenditure analyses and efficiencies.

The budget that the Florida Legislature adopted for the 2014-15 fiscal year provided \$64.2 million for the University's State noncapital appropriations, or an increase of 14.8 percent from the 2013-14 fiscal year. The legislative priorities for the University included a \$5.9 million in Performance-Based Incentives for the 2014-15 fiscal year.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. The Fall 2014 enrollment of 14,673 students increased 3 percent over the Fall 2013 enrollment of 14,251 students. First time-in-college freshman admission of 2,793 students was relatively constant to the 2012-13 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 ensure total enrollment continues in a positive trend. In the 2014-15 fiscal year, the University expects an increase in revenue from student tuition and fees due to increased enrollment. The State has approved and appropriated funds to the University's capital budget for the 2014-15 fiscal year in the amount of \$10.8 million. Public Education Capital Outlay appropriations for the 2014-15 fiscal year are for capital improvement projects in the amount of \$7 million, and repairs and maintenance in the amount of \$1.3 million. The Capital Improvement Fee appropriation of \$2.5 million for the 2014-15 fiscal year is for continued funding of the student recreation center.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Mr. Steve Magiera, CPA, 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 POSITION June 30, 2014

	University	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 378,951	\$ 15,087,801
Investments	67,933,747	
Accounts Receivable, Net	3,200,679	133,997
Loans Receivable, Net	12,083	
Due from State	7,283,914	
Other Current Assets	425,738	
Total Current Assets	79,235,112	15,221,798
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,557,050	
Investments		399,568
Restricted Investments	11,665,450	74,897,977
Accounts and Pledges Receivable, Net		91,549
Notes Receivable		5,000,000
Real Estate Held for Investment		12,251,500
Depreciable Capital Assets, Net	439,543,427	9,692
Nondepreciable Capital Assets	92,584,781	
Other Noncurrent Assets	6,173,200	
Total Noncurrent Assets	552,523,908	92,650,286
Total Assets	631,759,020	107,872,084
LIABILITIES		
Current Liabilities:		
Accounts Payable	7,075,193	129,294
Construction Contracts Payable	4,108,011	
Salaries and Wages Payable	2,342,636	
Deposits Payable	938,609	
Unearned Revenue	577,372	
Long-Term Liabilities - Current Portion:		
Bonds Payable	4,420,000	
Loans Payable	400,000	150,000
Capital Leases Payable	145,233	
Compensated Absences Payable	619,761	
Gift Annuities Payable		36,847
Total Current Liabilities	20,626,815	316,141

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	<u>University</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 204,546,952	\$
Loans Payable	16,200,000	6,550,000
Capital Leases Payable	148,141	
Compensated Absences Payable	8,206,491	
Other Postemployment Benefits Payable	16,310,000	
Gift Annuities Payable		429,671
Total Noncurrent Liabilities	<u>245,411,584</u>	<u>6,979,671</u>
Total Liabilities	<u>266,038,399</u>	<u>7,295,812</u>
NET POSITION		
Net Investment in Capital Assets	306,267,882	9,692
Restricted for Nonexpendable:		
Endowment		58,752,208
Restricted for Expendable:		
Debt Service	10,793,450	
Loans	523,868	
Capital Projects	7,719,785	
Other	4,287,329	34,212,544
Unrestricted	<u>36,128,307</u>	<u>7,601,828</u>
TOTAL NET POSITION	<u>\$ 365,720,621</u>	<u>\$ 100,576,272</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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	<u>University</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$28,937,352 (\$2,923,057 Pledged for Parking Facility Capital Improvement Debt)	\$ 57,886,299	\$
Federal Grants and Contracts	5,091,570	
State and Local Grants and Contracts	3,012,075	
Nongovernmental Grants and Contracts	4,014,312	
Sales and Services of Auxiliary Enterprises (\$321,887 Pledged for Parking Facility Capital Improvement Debt, \$26,520,521 Pledged for Housing Facility Capital Improvement Debt, and \$1,799,299 Pledged for Student Services Capital Improvement Debt)	35,393,572	
Gifts and Donations		14,943,753
Rental Income Other		2,534,009
Other Operating Revenues	1,167,441	
Total Operating Revenues	<u>106,565,269</u>	<u>17,477,762</u>
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	110,682,152	
Services and Supplies	39,963,130	
Utilities and Communications	5,669,102	
Scholarships, Fellowships, and Waivers	17,437,174	1,725,303
Depreciation	13,739,800	7,504
General and Administrative		1,108,709
University Support		2,441,629
Program Services		4,845,679
Other Operating Expenses		15,900
Total Operating Expenses	<u>187,491,358</u>	<u>10,144,724</u>
Operating Income (Loss)	<u>(80,926,089)</u>	<u>7,333,038</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	59,564,799	
Federal and State Student Financial Aid	28,628,251	
Investment Income	1,447,814	11,445,098
Other Nonoperating Revenues	2,977,846	
Interest on Capital Asset-Related Debt	(7,614,831)	(134,005)
Other Nonoperating Expenses	(270,646)	
Net Nonoperating Revenues	<u>84,733,233</u>	<u>11,311,093</u>
Income Before Other Revenues, Expenses, Gains, or Losses	3,807,144	18,644,131
State Capital Appropriations	3,107,613	
Capital Grants, Contracts, Donations, and Fees	1,170,000	4,441,540
Increase in Net Position	8,084,757	23,085,671
Net Position, Beginning of Year	357,635,864	77,490,601
Net Position, End of Year	<u>\$ 365,720,621</u>	<u>\$ 100,576,272</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, 2014

	<u>University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 57,739,420
Grants and Contracts	11,574,122
Sales and Services of Auxiliary Enterprises	35,393,572
Payments to Employees	(105,425,033)
Payments to Suppliers for Goods and Services	(45,805,814)
Payments to Students for Scholarships and Fellowships	(17,437,174)
Loans Issued to Students	(121,332)
Collections on Student Loans	131,567
Other Operating Disbursements	(334,044)
Net Cash Used by Operating Activities	<u>(64,284,716)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	59,564,799
Federal and State Student Financial Aid	28,628,251
Federal Direct Loan Program Receipts	48,881,127
Federal Direct Loan Program Disbursements	(48,922,171)
Net Change in Funds Held for Others	(35,667)
Other Nonoperating Receipts	2,977,846
Net Cash Provided by Noncapital Financing Activities	<u>91,094,185</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,280,262
Purchase or Construction of Capital Assets	(27,568,270)
Principal Paid on Capital Debt and Leases	(4,710,327)
Interest Paid on Capital Debt and Leases	(7,656,472)
Net Cash Used by Capital and Related Financing Activities	<u>(37,654,807)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	118,098,442
Purchase of Investments	(130,430,532)
Investment Income	710,458
Net Cash Used by Investing Activities	<u>(11,621,632)</u>
Net Decrease in Cash and Cash Equivalents	(22,466,970)
Cash and Cash Equivalents, Beginning of Year	25,402,971
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,936,001</u></u>

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

	<u>University</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (80,926,089)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	13,739,800
Change in Assets and Liabilities:	
Receivables, Net	(760,609)
Other Noncurrent Assets	425,738
Accounts Payable	(598,115)
Salaries and Wages Payable	701,345
Deposits Payable	129,579
Compensated Absences Payable	895,773
Unearned Revenue	(1,552,138)
Other Postemployment Benefits Payable	3,660,000
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (64,284,716)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 676,051

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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. 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 (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Although it is legally separate from the University, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University's 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. Condensed financial statements for the Corporation are shown in a subsequent note.

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. The Foundation is a legally separate direct-support organization of the University and is governed by a separate board. Its purpose is to encourage, solicit, collect, receive, and administer gifts and bequests of property and funds for scientific, educational, and

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 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 Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

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

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

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

The University's principal operating 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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

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

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand, 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, 2014, includes at fair value \$2,282,214 of Corporation moneys held in the State Treasury Special Purpose Investment Account (SPIA) investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years, and fair value factor of 1.0074 at June 30, 2014. 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. The amount reported as cash and cash equivalents for the Foundation (discretely presented component unit) at June 30, 2014, includes \$7,111,558 of bank deposits of which \$496,257 is insured by the Federal deposit insurance with the remainder of \$6,615,301 collateralized under the Florida Public Deposits Program. The Foundation also had cash held on deposit with investment managers

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

at June 30, 2014, totaling \$2,549,007, of which \$268,825 was covered by the Securities Investor Protection Corporation and \$2,280,182 was uninsured and uncollateralized.

Cash and cash equivalents reported for the Foundation at June 30, 2014, also includes at fair value \$5,427,236 of Foundation moneys held in the State Treasury Special Purpose Investment Account (SPIA) investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years, and fair value factor of 1.0074 at June 30, 2014. The Foundation 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.

Capital Assets. University capital assets consist of land; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; property under capital lease; 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 \$5,000 for tangible personal property and \$100,000 for new buildings and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 35 to 50 years
- Infrastructure and Other Improvements – 10 to 50 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
- Property Under Capital Lease – 5 to 8 years
- Works of Art and Historical Treasures – 20 years
- Other Capital Assets – 4 to 10 years

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, loans payable, capital leases payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year. Bonds Payable are reported net of unamortized premium or discount. The University amortizes bond premiums and discounts over the life of the bond 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 (SBA), and requires that universities comply with the statutory requirements governing

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States 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, \$3 million is restricted by the covenants of the bond reimbursement agreements for the Capital Improvement Revenue Bonds Series 2007B, 2008A and 2009A and \$7,793,450 for debt service reserve accounts for the Series 2005A loans, Series 2010A, 2010B, 2011A, and 2013A bonds. 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 \$79,599,197 at June 30, 2014, 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, had an effective duration of 2.57 years and fair value factor of 1.0074 at June 30, 2014. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments

Investments held by the University's discretely presented component unit (Foundation) at June 30, 2014, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Obligation of United States Government	
Agency and Instrumentalities	\$ 2,140,508
United States Treasury Securities	2,076,314
Bonds, Notes and Other Debt Securities	8,468,519
Stocks and Other Equity Securities	7,092,512
Mutual Funds	52,753,082
Other Investments	2,766,610
Total Component Unit Investments	\$ 75,297,545

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 equity securities of companies with a market capitalization of at least \$1 billion. For fixed income instruments, the Foundation's policy allows investments in bonds issued by the United States Government, an agency of the United States Government, public traded corporations or their affiliates, taxable municipal bonds, preferred stocks, and real estate investment trusts.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit debt obligation maturities. The Foundation's investments in debt securities at June 30, 2014, are reported at fair value as follows:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1 Year	1 - 5 Years	5 - 10 Years	Over 10 Years
Obligations of United States Government					
Agencies and instrumentalities	\$ 2,140,508	\$	\$ 2,018,681	\$ 121,827	\$
Bonds, Notes, and Other Debt Securities	8,468,519	592,892	4,953,848	2,764,258	157,521
Total	\$ 10,609,027	\$ 592,892	\$ 6,972,529	\$ 2,886,085	\$ 157,521

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. 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: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investments that are held by someone other than the component unit and not registered in their names. The Foundation utilizes the services of an investment advisor and several 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's mutual fund investments totaling \$52,753,082 at June 30, 2014, 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: Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit's investment in a single issuer. The Foundation's 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, 2014, 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, 2014

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 1,674,825
Student Tuition and Fees	1,422,442
Other	<u>103,412</u>
Total Accounts Receivable	<u>\$ 3,200,679</u>

Loans Receivable. Loans receivable consist of short-term loans made to students pending the receipt of student financial aid.

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans 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 receivable, are reported net of allowances of \$726,555 and \$17,608, respectively, at June 30, 2014.

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 of \$7,283,914 due from the State from Public Education Capital Outlay funds for construction of University facilities.

5. CAPITAL ASSETS

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 56,142,291	\$ 1,215,674	\$	\$ 57,357,965
Works of Art and Historical Treasures	1,735,358			1,735,358
Construction in Progress	9,202,331	28,358,830	4,069,703	33,491,458
Total Nondepreciable Capital Assets	\$ 67,079,980	\$ 29,574,504	\$ 4,069,703	\$ 92,584,781
Depreciable Capital Assets:				
Buildings	\$469,774,944	\$ 2,716,428	\$	\$472,491,372
Infrastructure and Other Improvements	28,720,784	357,000		29,077,784
Furniture and Equipment	33,342,215	1,531,367	723,670	34,149,912
Library Resources	10,167,346	404,413		10,571,759
Property Under Capital Lease	1,946,259			1,946,259
Works of Art and Historical Treasures	549,321	137,822		687,143
Computer Software and Other Capital Assets	1,200,621		40,111	1,160,510
Total Depreciable Capital Assets	545,701,490	5,147,030	763,781	550,084,739
Less, Accumulated Depreciation:				
Buildings	59,920,030	9,696,445	30,088	69,586,387
Infrastructure and Other Improvements	8,487,776	988,657		9,476,433
Furniture and Equipment	17,144,416	2,687,079	327,911	19,503,584
Library Resources	8,786,515	218,598		9,005,113
Property Under Capital Lease	1,776,727	54,983		1,831,710
Works of Art and Historical Treasures	43,111	30,324		73,435
Computer Software and Other Capital Assets	1,041,047	63,714	40,111	1,064,650
Total Accumulated Depreciation	97,199,622	13,739,800	398,110	110,541,312
Total Depreciable Capital Assets, Net	\$448,501,868	\$ (8,592,770)	\$ 365,671	\$439,543,427

6. UNEARNED REVENUE

Unearned 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, 2014, include bonds payable, loans payable, capital leases payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 225,173,593	\$	\$ 16,206,641	\$ 208,966,952	\$ 4,420,000
Loans Payable	5,000,000	11,900,000	300,000	16,600,000	400,000
Capital Leases Payable	438,701		145,327	293,374	145,233
Compensated Absences Payable	7,930,479	1,430,979	535,206	8,826,252	619,761
Other Postemployment Benefits Payable	12,650,000	3,779,000	119,000	16,310,000	
Total Long-Term Liabilities	\$ 251,192,773	\$ 17,109,979	\$ 17,306,174	\$ 250,996,578	\$ 5,584,994

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Revenue Bonds Payable.

Capital Improvement Revenue Bonds were issued to construct University facilities, including parking garages and student housing 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.

In prior years, the Florida Gulf Coast University Financing Corporation (Corporation) issued Capital Improvement Revenue Bonds, Series 2003, 2005A, 2007A, 2008A, 2010A, 2010B, 2011A and 2013A to construct or purchase student housing facilities, Series 2007B to construct and equip an addition to the Student Union Facility, and Series 2005B, 2007C, and 2009A to construct student parking garages.

On July 1, 2013, the Corporation entered into loan agreements authorizing the refunding of Capital Improvement Revenue Bonds, Series 2005A (Student Residences Phase VII) and Capital Improvement Revenue Bonds, Series 2005B (Student Parking Phase I) which resulted in defeasance of the variable rate capital improvement revenue bond debt and securing fixed rate loans. Accordingly, the Capital Improvement Revenue Bonds, Series 2005A and 2005B are no longer reported as a bond payable on the face of the statement of net position for the reporting period ended June 30, 2014, and the new fixed rate tax-exempt loan is reported as loans payable.

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 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. During the 2013-14 fiscal year, parking facilities rental and fee income, student residence rental income, and student union facilities sales and services totaled \$3,244,944, \$26,520,521, and \$1,799,299, respectively.

The University had the following bonds payable outstanding at June 30, 2014:

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Capital Improvement Revenue Bonds Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Capital Improvement Revenue Bonds:				
2003 Student Residences (Phase VI)	\$ 47,500,000	\$ 39,035,000	4.00 to 5.00	2034
2007A Student Residences (Phase VIII)	25,000,000	22,456,615	4.00 to 5.00	2037
2007B Student Union (Facility)	6,000,000	5,400,000	.06 (2)	2037
2007C Student Parking (Phase II)	10,000,000	8,636,611	4.00 to 4.75	2037
2008A Student Residences (Phase IX)	22,000,000	19,785,000	.04 (2)	2038
2009A Student Parking (Phase III)	8,000,000	7,305,000	.06 (2)	2039
2010A Student Housing (Phase X)	32,000,000	30,000,269	3.00 to 5.50	2040
2010B Student Housing (Phase XI)	17,000,000	15,949,125	2.00 to 5.00	2040
2011A Student Housing (Phase XII)	30,000,000	29,397,674	4.00 to 5.50	2041
2013A Student Housing (Phase XIII)	30,000,000	31,001,658	2.25 to 5.00	2043
Total Capital Improvement Revenue Bonds	\$ 227,500,000	\$ 208,966,952		

Note: (1) Amount outstanding includes unamortized discounts and premiums.

(2) Variable interest rate at June 30, 2014.

Annual requirements to amortize all capital improvement bonds outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 4,420,000	\$ 8,057,307	\$ 12,477,307
2016	5,350,000	7,919,606	13,269,606
2017	5,525,000	7,754,121	13,279,121
2018	5,715,000	7,576,334	13,291,334
2019	5,945,000	7,373,295	13,318,295
2020-2024	33,490,000	33,465,413	66,955,413
2025-2029	41,230,000	26,681,440	67,911,440
2030-2034	51,715,000	17,447,301	69,162,301
2035-2039	41,285,000	8,173,618	49,458,618
2040-2043	13,165,000	1,279,412	14,444,412
Subtotal	207,840,000	125,727,847	333,567,847
Net Discounts and Premiums	1,126,952		1,126,952
Total	\$ 208,966,952	\$ 125,727,847	\$ 334,694,799

Loans Payable. On March 27, 2006, the 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, 2014. Principal payments are equal to all funds collected by the Foundation pursuant to a capital campaign of 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, 2014, the Foundation had raised \$1 million of the \$5 million capital campaign toward this project. Interest is assessed on the difference between the \$5 million borrowed and the

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

donations collected reduced by the amount of interest income earned during the year on the donations. Net capitalized interest expense for the year ended June 30, 2014, was \$85,673. 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 was amended on April 14, 2014, and becomes due on or before October 1, 2015.

On July 1, 2013, the Corporation entered into Loan Agreement (2005A), dated July 1, 2013, in the amount of \$6,800,000, and a Loan Agreement (2005B), dated July 1, 2013, in the amount of \$5,100,000, collectively hereafter referred to as the Loan, authorizing the refunding of Capital Improvement Revenue Bonds, Series 2005A (Student Residence Phase VII), and Capital Improvement Revenue Bonds, Series 2005B (Student Parking Phase I), which resulted in defeasance of the variable rate capital improvement revenue bond debt and securing fixed rate tax-exempt loans. The proceeds from the fixed rate tax-exempt loans were used to refund the outstanding principal debt of Capital Improvement Revenue Bonds, Series 2005A, in the par amount of \$6,800,000, and Capital Improvement Revenue Bonds, Series 2005B, in the par amount of \$5,100,000. Accordingly, the Capital Improvement Revenue Bonds, Series 2005A and Series 2005B, are no longer reported as a bond payable on the face of the statement of net position for the reporting period ended June 30, 2014, and the new fixed rate tax-exempt loan is reported as loans payable. The maturity dates or principal payment schedules were not modified, and there was no economic gain or loss from the advanced refunding of the bond debt.

On February 1, 2014 principal loan payments were made in the amount of \$300,000 (\$200,000 for 2005A and \$100,000 for 2005B) leaving outstanding balances of \$6,600,000 for Loan Payable 2005A and \$5,000,000 for Loan Payable 2005B at June 30, 2014. The annual requirements to amortize the outstanding loans as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 400,000	\$ 302,760	\$ 702,760
2016	400,000	292,320	692,320
2017	300,000	281,880	581,880
2018	500,000	274,050	774,050
2019	400,000	261,000	661,000
2020-2024	2,400,000	1,132,740	3,532,740
2025-2029	2,900,000	801,270	3,701,270
2030-2034	3,500,000	378,450	3,878,450
2035	800,000	20,880	820,880
Total	\$ 11,600,000	\$ 3,745,350	\$ 15,345,350

Loans Payable – Component Unit. The Foundation borrowed \$5,000,000 to assist a related entity to acquire real estate in Naples, Florida. The line of credit bears interest at 65 percent of the bank's prime rate minus 50 basis points (1.7875 percent at June 30, 2014). Principal payments are made when donations are received for this project. This line of credit was renewed and reduced to \$4,000,000 in 2009. On June 30, 2014, the outstanding balance of this line of credit was \$4,000,000. The interest is due quarterly, with the principal due at

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

maturity. The Foundation has pledged the \$5,000,000 loan receivable as collateral for the line of credit. In addition the related party has guaranteed repayment of the line of credit.

On July 27, 2007, the Foundation secured a \$3,000,000 five year loan from Northern Trust Bank at a fixed rate of 4.28 percent to purchase the Marine Science and Environmental Education Center property. On December 15, 2012, the Foundation entered into a five year variable interest rate loan which includes an annual principal payment of \$150,000. This loan bears interest at 65 percent of prime rate (2.11percent at June 30, 2014) which is payable quarterly:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Loans Payable	\$ 6,850,000	\$	\$ 150,000	\$ 6,700,000	\$ 150,000

Debt service requirements of the loans, are as follows:

Year Ending June 30	Mortgage Note		Line of Credit		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 150,000	\$ 57,038	\$	\$ 71,500	\$ 150,000	\$ 128,538
2016	150,000	53,869	4,000,000	17,875	4,150,000	71,744
2017	150,000	50,700			150,000	50,700
2018	2,250,000	23,766			2,250,000	23,766
Total	\$ 2,700,000	\$ 185,373	\$ 4,000,000	\$ 89,375	\$ 6,700,000	\$ 274,748

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. In August 2011 the University entered into a capital lease for network storage equipment. The stated interest rate is 1.8 percent. Principal and interest requirements on the capital leases outstanding as of June 30, 2014, are presented in the following table:

Fiscal Year Ending June 30	Amount
2015	\$ 152,914
2016	150,855
Total Minimum Payments	303,769
Less, Amount Representing Interest	10,395
Present Value of Minimum Payments	\$ 293,374

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 noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$8,826,252. The current portion of the compensated absences liability, \$619,761, 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 historical percentage of leave used applied to total accrued leave liability.

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 33 retirees received postemployment healthcare benefits. The University provided required contributions of \$119,000 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 \$231,000, which represents 0.32 percent of covered payroll.

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 2,604,000
Amortization of Unfunded Actuarial Accrued Liability	965,000
Interest on Normal Cost and Amortization	<u>143,000</u>
Annual Required Contribution	3,712,000
Interest on Net OPEB Obligation	506,000
Adjustment to Annual Required Contribution	<u>(439,000)</u>
Annual OPEB Cost (Expense)	3,779,000
Contribution Toward the OPEB Cost	<u>(119,000)</u>
Increase in Net OPEB Obligation	3,660,000
Net OPEB Obligation, Beginning of Year	<u>12,650,000</u>
Net OPEB Obligation, End of Year	<u><u>\$ 16,310,000</u></u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011-12	\$ 3,647,000	3.5%	\$ 9,140,000
2012-13	3,672,000	4.4%	12,650,000
2013-14	3,779,000	3.1%	16,310,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$28,949,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$28,949,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$72,848,027 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 39.7 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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the University's 2013-14 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.4 percent, 7 percent, and 8.2 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.9 percent, 7.8 percent, and 8.3 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 23 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 the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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

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

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

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

(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 including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$1,753,861, \$1,952,483, and \$2,720,715, respectively, which were equal to the required contributions for each fiscal year.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

There were 194 University participants in the Investment Plan during the 2013-14 fiscal year. The University's contributions including employee contributions to the Investment Plan totaled \$854,614, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services' Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement's Web site (www.frs.myflorida.com).

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 7.34 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 563 University participants during the 2013-14 fiscal year. The University's contributions to the Program totaled \$2,762,167 and employee contributions totaled \$1,965,253 for the 2013-14 fiscal year.

9. CONSTRUCTION COMMITMENTS

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

Project Description	Total Committed	Completed to Date	Balance Committed
Emergent Technologies/I Hub	\$ 4,866,193	\$ 343,809	\$ 4,522,384
South Village Recreation Center	2,614,363	56,732	2,557,631
Phase XIII - South Housing Residence	29,488,709	28,479,402	1,009,307
Subtotal	36,969,265	28,879,943	8,089,322
Project Balances Under \$1 Million	5,631,471	4,611,515	1,019,956
Total	\$ 42,600,736	\$ 33,491,458	\$ 9,109,278

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2013-14 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named windstorm and flood losses through February 15, 2014, and increased to \$54 million starting February 16, 2014. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

11. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 58,872,193
Research	2,765,667
Public Services	6,533,224
Academic Support	14,323,634
Student Services	11,755,218
Institutional Support	20,760,951
Operation and Maintenance of Plant	10,280,667
Scholarships, Fellowships, and Waivers	17,437,174
Depreciation	13,739,800
Auxiliary Enterprises	31,022,830
Total Operating Expenses	<u>\$187,491,358</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:

Condensed Statement of Net Position

	<u>Housing Facility</u>	<u>Parking Facility</u>	<u>Student Services</u>
Assets			
Current Assets	\$ 23,993,981	\$ 3,127,783	\$ 3,594,034
Capital Assets, Net	185,189,025	22,099,581	5,630,000
Other Noncurrent Assets	7,793,450		
Total Assets	<u>216,976,456</u>	<u>25,227,364</u>	<u>9,224,034</u>
Liabilities			
Current Liabilities	10,896,729	880,948	201,472
Noncurrent Liabilities	190,125,341	20,321,611	5,300,000
Total Liabilities	<u>201,022,070</u>	<u>21,202,559</u>	<u>5,501,472</u>
Net Position			
Net Investment in Capital Assets	(3,219,582)	(180,533)	230,000
Restricted - Expendable	10,793,450		
Unrestricted	8,380,518	4,205,338	3,492,562
Total Net Position	<u>\$ 15,954,386</u>	<u>\$ 4,024,805</u>	<u>\$ 3,722,562</u>

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

	Housing Facility	Parking Facility	Student Services
Operating Revenues	\$ 26,520,521	\$ 3,244,944	\$ 1,799,299
Depreciation Expense	(3,530,122)	(503,902)	(113,982)
Other Operating Expenses	(15,808,440)	(1,639,874)	(643,987)
Operating Income	7,181,959	1,101,168	1,041,330
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	244,906	23,117	27,845
Nonoperating Expense	(3,630,408)	(550,407)	(363,070)
Net Nonoperating Expenses	(3,385,502)	(527,290)	(335,225)
Increase in Net Position	3,796,457	573,878	706,105
Net Position, Beginning of Year	12,157,929	3,450,927	3,016,457
Net Position, End of Year	\$ 15,954,386	\$ 4,024,805	\$ 3,722,562

Condensed Statement of Cash Flows

	Housing Facility	Parking Facility	Student Services
Net Cash Provided (Used) by:			
Operating Activities	\$ 10,662,225	\$ 1,589,199	\$ 1,063,633
Noncapital Financing Activities	(3,630,609)	(550,407)	(363,070)
Capital and Related Financing Activities	(25,670,064)	(510,000)	(100,000)
Investing Activities	(3,076,816)	(528,792)	(600,563)
Net Decrease in Cash and Cash Equivalents	(21,715,264)		
Cash and Cash Equivalents, Beginning of Year	23,997,478		
Cash and Cash Equivalents, End of Year	\$ 2,282,214	\$	\$

13. BLENDED COMPONENT UNIT

The University has one blended component unit as discussed in note 1. The following financial information is presented for the University's blended component unit

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Condensed Statement of Net Position

	FGCU Financing Corporation	University	Eliminations	Total Primary Government
Assets:				
Current Assets	\$ 30,261,163	\$ 53,830,425	\$ (4,856,476)	\$ 79,235,112
Capital Assets, Net	34,190,329	497,937,879		532,128,208
Other Noncurrent Assets	201,576,829	1,146,836	(182,327,965)	20,395,700
Total Assets	<u>266,028,321</u>	<u>552,915,140</u>	<u>(187,184,441)</u>	<u>631,759,020</u>
Liabilities:				
Current Liabilities	10,923,148	9,703,667		20,626,815
Noncurrent Liabilities	220,746,952	211,849,073	(187,184,441)	245,411,584
Total Liabilities	<u>231,670,100</u>	<u>221,552,740</u>	<u>(187,184,441)</u>	<u>266,038,399</u>
Net Position:				
Net Investment in Capital Assets		306,267,882		306,267,882
Restricted - Expendable	10,793,450	12,530,982		23,324,432
Unrestricted	23,564,771	12,563,536		36,128,307
Total Net Position	<u>\$ 34,358,221</u>	<u>\$ 331,362,400</u>	<u>\$</u>	<u>\$ 365,720,621</u>

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

	FGCU Financing Corporation	University	Eliminations	Total Primary Government
Operating Revenues	\$ 18,171,566	\$ 88,393,703	\$	\$ 106,565,269
Depreciation Expense		(13,739,800)		(13,739,800)
Other Operating Expenses	(13,272,911)	(168,080,094)	7,601,447	(173,751,558)
Operating Income (Loss)	<u>4,898,655</u>	<u>(93,426,191)</u>	<u>7,601,447</u>	<u>(80,926,089)</u>
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	295,868	92,322,842		92,618,710
Interest Expense		(13,384)	(7,601,447)	(7,614,831)
Other Nonoperating Revenues (Expense)	(1,553,860)	1,283,214		(270,646)
Net Nonoperating Revenues (Expenses)	<u>(1,257,992)</u>	<u>93,592,672</u>	<u>(7,601,447)</u>	<u>84,733,233</u>
Other Revenues, Expenses, Gains, and Losses		4,277,613		4,277,613
Increase in Net Position	<u>3,640,663</u>	<u>4,444,094</u>		<u>8,084,757</u>
Net Position, Beginning of Year	30,717,558	326,918,306		357,635,864
Net Position, End of Year	<u>\$ 34,358,221</u>	<u>\$ 331,362,400</u>	<u>\$</u>	<u>\$ 365,720,621</u>

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Condensed Statement of Cash Flows

	FGCU Financing Corporation	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	\$ 9,900,531	\$ (81,858,693)	\$ 7,673,446	\$ (64,284,716)
Noncapital Financing Activities	(1,553,860)	92,648,045		91,094,185
Capital and Related Financing Activities	(26,365,737)	(3,615,624)	(7,673,446)	(37,654,807)
Investing Activities	(4,206,172)	(7,415,460)		(11,621,632)
Net Decrease in Cash and Cash Equivalents	(22,225,238)	(241,732)		(22,466,970)
Cash and Cash Equivalents, Beginning of Year	24,542,257	860,714		25,402,971
Cash and Cash Equivalents, End of Year	\$ 2,317,019	\$ 618,982	\$	\$ 2,936,001

14. CURRENT UNRESTRICTED FUNDS

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

Statement of Current Unrestricted Funds Net Position

Assets

Current Assets:

Cash and Cash Equivalents	\$ 9,500
Investments	64,181,206
Receivables, Net	1,408,499
Other Current Assets	425,738

Total Current Assets 66,024,943

Noncurrent Assets:

Other Noncurrent Assets	<u>6,173,200</u>
-------------------------	------------------

Total Assets 72,198,143

Liabilities

Current Liabilities:

Accounts Payable	6,875,259
Due to Other Funds	1,622,619
Salary and Wages Payable	1,976,773
Deposits Payable	458,933
Compensated Absences Payable	619,761

Total Current Liabilities 11,553,345

Noncurrent Liabilities:

Compensated Absences Payable	8,206,491
Other Postemployment Benefits Payable	<u>16,310,000</u>

Total Liabilities 36,069,836

Total Net Position \$ 36,128,307

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Revenues

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$28,937,352	\$ 53,104,622
Nongovernmental Grants and Contracts	33,226
Sales and Services of Auxiliary Enterprises	
(\$321,887 Pledged for Parking Facility Capital	
Improvement Debt, \$26,520,521 Pledged for	
Housing Facility Capital Improvement Debt, and	
\$1,799,299 Pledged for Student Services	
Capital Improvement Debt)	35,393,572
Other Operating Revenues	285,498
Total Operating Revenues	88,816,918

Expenses

Operating Expenses:

Compensation and Employee Benefits	102,804,302
Services and Supplies	34,121,679
Utilities and Communications	5,669,102
Scholarships and Fellowships	775,789
Total Operating Expenses	143,370,872

Operating Loss **(54,553,954)**

Nonoperating Revenues (Expenses)

State Noncapital Appropriations	59,564,799
Investment Income	1,349,847
Other Nonoperating Revenues	412,256

Net Nonoperating Revenues **61,326,902**

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

	6,772,948
Transfers to Other Funds	(928,267)

Increase in Net Position **5,844,681**

Net Position, Beginning of Year **30,283,626**

Net Position, End of Year **\$ 36,128,307**

15. 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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 two outstanding loans with a financial institution of which a Foundation board member was an officer during the fiscal year ended June 30, 2014. The Foundation investments managed by the financial institution at June 30, 2014, totaled \$23,898,502. The Foundation had outstanding loans totaling \$6,700,000 with the financial institution at June 30, 2014, and paid \$284,005 in interest during the fiscal year ended June 30, 2014.

The Foundation maintains a portion of its fixed-income investments with an investment firm of which a Foundation board member was an officer during the fiscal year ended June 30, 2014. The Foundation investments managed by the investment firm at June 30, 2014, totaled \$6,509,384.

The Foundation's operating bank account is at Fifth Third Bank. A Foundation board member was an officer of Fifth Third Bank during the fiscal year ending June 30, 2014. On June 30, 2014 the Foundation had \$7,019,173 on deposit at Fifth Third Bank.

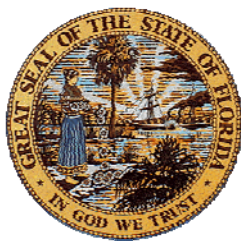
On July 13, 2013, the University renewed the lease agreement with the Foundation for the use of waterfront property for the University's Vester Marine Science and Environmental Education Center. The monthly lease payment of \$32,000 covers the general operating and maintenance expenses incurred by the Foundation.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 17,315,000	\$ 17,315,000	0%	\$ 57,220,579	30.3%
7/1/2011	-	26,010,000	26,010,000	0%	66,215,314	39.3%
7/1/2013	-	28,949,000	28,949,000	0%	72,848,027	39.7%

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

(2) The July 1, 2013, unfunded actuarial accrued liability of \$28,949,000 was higher than the July 1, 2011, liability of \$26,010,000 primarily as a result of a lower than expected increases in retiree contributions rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.



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

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Florida 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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 24, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and 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 of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
November 24, 2014