

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2011



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Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

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Dr. James H. Ammons, President

Notes: (1) Vice Chair position remained vacant from March 23, 2011, through April 6, 2011.
(2) Board member served beyond the end of their term, January 6, 2011.
(3) Student body president.
(4) Faculty Senate Chair.
(5) Position vacant from July 1, 2010, to September 28, 2010.

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 Stellar Lee, CPA, and the audit was supervised by Cheryl B. Pueschel, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jjmstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2011. 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 ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Agricultural and Mechanical University and of its aggregate discretely presented component units as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, 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.

Respectfully submitted,



David W. Martin, CPA
February 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Florida Agricultural and Mechanical University (University) for the fiscal year ended June 30, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$674 million at June 30, 2011. This balance reflects a \$45.3 million, or 7.2 percent increase from the 2009-10 fiscal year, resulting primarily from increases in current assets in the amount of \$22.1 million and capital assets in the amount of \$26.5 million. While assets grew, liabilities decreased by \$25.9 million, or 24.5 percent, totaling \$80 million at June 30, 2011, compared to \$105.9 million at June 30, 2010. As a result, the University's net assets increased by \$71.2 million, reaching a year-end balance of \$594 million.

The University's operating revenues totaled \$129.2 million for the 2010-11 fiscal year, representing a 1 percent decrease over the 2009-10 fiscal year, resulting primarily from a net increase of \$4.7 million in net tuition and fees, a decrease of \$4.4 million in grants and contracts, an increase in sales and services of auxiliary enterprises of \$0.5 million and a decrease in other operating revenue of \$2 million. Operating expenses totaled \$292.8 million for the 2010-11 fiscal year, representing an increase of 3.7 percent compared to the 2009-10 fiscal year, resulting primarily from an increase in scholarships, fellowships, and waivers and an increase in services and supplies for a net increase of the operating expenses of \$10.5 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Florida Agricultural and Mechanical University Foundation, Inc.
- Florida Agricultural and Mechanical University National Alumni Association, Inc.
- Florida Agricultural and Mechanical University Boosters Club, Inc.

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

THE STATEMENT OF NET ASSETS

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

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

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

	2011	2010
Assets		
Current Assets	\$ 165,823	\$ 143,765
Capital Assets, Net	484,569	458,116
Other Noncurrent Assets	23,561	26,716
Total Assets	673,953	628,597
Liabilities		
Current Liabilities	23,451	49,181
Noncurrent Liabilities	56,518	56,673
Total Liabilities	79,969	105,854
Net Assets		
Invested in Capital Assets, Net of Related Debt	457,229	437,616
Restricted	76,368	44,309
Unrestricted	60,387	40,818
Total Net Assets	\$ 593,984	\$ 522,743

Total assets increased by \$45.3 million, total liabilities decreased by \$25.9 million, and total net assets increased by \$71.2 million. The current assets increased by \$22.1 million, primarily due to an increase in monies available for investments. The increase in investments was a result of an increase in the unexpended balance of General Revenue appropriations due to the University austerity program, and an increase in the assessment and collection of student tuition and related fees. The increase in net capital assets is due primarily to the additional construction activity for the Sampson and Young Remodeling, Jones Hall Remodeling, and the campus electrical upgrades. The noncurrent assets decreased primarily due to the reduction of cash and investments relating to construction activity. The decrease in the current liabilities is primarily due to a decrease in deferred revenue for capital appropriations of \$20.1 million for planned construction projects and a decrease of \$6.2 million in accrued liabilities which consists of construction contracts payable, salaries and wages payable, and deposits payable. The increase in the invested in capital assets, net of related debt, is due primarily to the addition of construction activity for Sampson and Young Remodeling, Jones Hall Remodeling, and campus electrical upgrades. The increase in restricted net assets is primarily due to an increase in assets relating to capital projects.

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

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

The following summarizes the University’s activity for the 2010-11 and 2009-10 fiscal years:

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

	2010-11	2009-10
Operating Revenues	\$ 129,211	\$ 130,444
Operating Expenses	292,785	282,236
Operating Loss	(163,574)	(151,792)
Net Nonoperating Revenues	170,127	149,449
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	6,553	(2,343)
Other Revenues, Expenses, Gains, or Losses	64,688	37,446
Net Increase In Net Assets	71,241	35,103
Net Assets, Beginning of Year	522,743	479,729
Adjustments to Beginning Net Assets (1)		7,911
Net Assets, Beginning of Year, as Restated	522,743	487,640
Net Assets, End of Year	\$ 593,984	\$ 522,743

Note: (1) The University's beginning net assets for the 2009-10 fiscal year increased for a change in reporting State University System Improvement Revenue Bonds.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities during the 2010-11 and 2009-10 fiscal years:

**Operating Revenues
(In Thousands)**

	2010-11	2009-10
Net Tuition and Fees	\$ 50,786	\$ 46,097
Grants and Contracts	50,587	55,032
Sales and Services of Auxiliary Enterprises	22,385	21,910
Other Operating Revenue	5,453	7,405
Total Operating Revenues	\$ 129,211	\$ 130,444

Net tuition and fees increased by \$4.7 million as a result of increasing tuition and fees from 3 percent to 14 percent in addition to an increase in enrollment by approximately 10 percent. Grants and contract revenues decreased due to the close out of various grants in the 2010-11 fiscal year. Other operating revenues decreased due to a decrease in fixed and administrative costs recovered of approximately \$1.4 million and other miscellaneous revenues.

Operating Expenses

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

The following summarizes the operating expenses by natural classifications for the 2010-11 and 2009-10 fiscal years:

Operating Expenses		
(In Thousands)		
	<u>2010-11</u>	<u>2009-10</u>
Compensation and Employee Benefits	\$ 170,531	\$ 171,029
Services and Supplies	52,572	47,762
Utilities and Communications	14,009	15,481
Scholarships, Fellowships, and Waivers	34,894	28,184
Depreciation	<u>20,779</u>	<u>19,780</u>
Total Operating Expenses	<u>\$ 292,785</u>	<u>\$ 282,236</u>

The operating expenses increased by \$10.5 million primarily due to an increase in scholarships, fellowships, and waivers of \$6.7 million, an increase of \$4.8 million in services and supplies, and a decrease in utilities of \$1.5 million. The increase in services and supplies is mainly due to the contractual services relating to the Targeted Student Assistance Program, for which the University was appropriated funds.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University’s nonoperating revenues and expenses for the 2010-11 and 2009-10 fiscal years:

Nonoperating Revenues (Expenses)		
(In Thousands)		
	<u>2010-11</u>	<u>2009-10</u>
State Noncapital Appropriations	\$ 107,901	\$ 99,934
Federal and State Student Financial Aid	52,085	41,109
State Appropriated American Recovery and Reinvestment Act Funds	8,461	7,936
Investment Income	2,042	1,691
Unrealized Gains on Investments	1,605	690
Other Nonoperating Revenues	113	159
Loss on Disposal of Capital Assets	(28)	(3)
Interest on Capital Asset-Related Debt	(1,738)	(1,201)
Other Nonoperating Expenses	<u>(314)</u>	<u>(866)</u>
Net Nonoperating Revenues	<u>\$ 170,127</u>	<u>\$ 149,449</u>

The University’s net nonoperating revenues increased by \$20.7 million, or 13.8 percent, primarily due to the increase in the State noncapital appropriations of \$8 million, consisting of nonrecurring appropriations of \$5.1 million for the

Targeted Student Assistance Program, an increase in Educational Enhancements Funds of \$1.5 million, other nonrecurring increases of \$1.4 million, an increase in Federal and State student financial aid of \$11 million mainly in the Federal Pell grant program, and an increase in investment income of \$1.3 million due to the improvement in the investment market.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2010-11 and 2009-10 fiscal years:

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

	2010-11	2009-10
State Capital Appropriations	\$ 57,250	\$ 36,051
Capital Grants, Contracts, Donations, and Fees	7,438	1,395
Total	\$ 64,688	\$ 37,446

The University's other revenues increased by \$27.2 million, or 72.8 percent, primarily because of an increase of \$21.2 million in State capital appropriations, and a \$7 million capital grant from the Florida Department of Health for the Crestview, Florida pharmacy program construction project.

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 2010-11 and 2009-10 fiscal years:

Condensed Statement of Cash Flows (In Thousands)

	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	\$ (138,542)	\$ (135,943)
Noncapital Financing Activities	170,613	139,166
Capital and Related Financing Activities	(10,567)	1,229
Investing Activities	(12,684)	(8,657)
Net Increase (Decrease) in Cash and Cash Equivalents	8,820	(4,205)
Cash and Cash Equivalents, Beginning of Year	4,316	8,521
Cash and Cash Equivalents, End of Year	\$ 13,136	\$ 4,316

Major sources of funds came from State noncapital appropriations (\$109.8 million), State capital appropriations (\$34.8 million), net student tuition and fees (\$52.4 million), grants and contracts (\$54.1 million), Federal and State student financial aid (\$52.1 million), and sales and services of auxiliary enterprises (\$22.3 million). Major uses of funds were for salaries and benefits (\$172.2 million), for goods and services (\$66.3 million), scholarships and fellowships (\$34.9 million), and the purchase or construction of capital assets (\$49.5 million).

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

CAPITAL ASSETS

At June 30, 2011, the University had \$722.3 million in capital assets, less accumulated depreciation of \$237.7 million, for net capital assets of \$484.6 million. Depreciation charges for the current fiscal year totaled \$20.8 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)**

	2011	2010
Land	\$ 5,826	\$ 5,826
Buildings	351,502	326,977
Construction in Progress	29,665	30,786
Infrastructure and Other Improvements	60,473	54,488
Furniture and Equipment	22,114	23,295
Library Resources	13,212	14,782
Property Under Capital Leases	694	842
Works of Art and Historical Treasures	687	642
Computer Software	367	452
Other Capital Assets	29	26
Capital Assets, Net	\$ 484,569	\$ 458,116

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2011, were incurred on the following projects: Recreation Center, Sampson and Young Renovation, Pharmacy Building, Gore Education Complex Remodeling, and maintenance and remodeling projects. The University’s construction commitments at June 30, 2011, are as follows:

	Amount (In Thousands)
Total Committed	\$ 73,175
Completed to Date	(29,665)
Balance Committed	\$ 43,510

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

DEBT ADMINISTRATION

As of June 30, 2011, the University had \$34 million in outstanding capital improvement debt payable, loans and notes payable, and capital leases payable, representing a decrease of \$1.2 million, or 3.4 percent, from the prior fiscal year. This was due mainly to debt service payments offset by an increase in loans and notes 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)		
	2011	2010
Capital Improvement Debt	\$ 30,744	\$ 31,895
Loans and Notes	250	
Capital Leases	2,985	3,278
Total	\$ 33,979	\$ 35,173

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University’s major source of revenue continues to be State appropriations. Therefore, the economic condition of the University is closely tied to the economic condition of the State of Florida. For the 2010-11 fiscal year, the University’s State noncapital appropriations increased in the amount of \$6.5 million, mainly due to nonrecurring appropriations as outlined in the nonoperating revenues and expenses section of the statement of revenues, expenses, and changes in net assets, and also experienced an increase in the Educational Enhancement appropriations (Lottery Funds) of \$1.5 million, resulting in a total increase of \$8 million in State support. The University also received Federal Stimulus funds of \$8.5 million under the American Recovery and Reinvestment Act. For the 2011-12 fiscal year the University had a net reduction in recurring State noncapital appropriations of \$6.2 million, but the effect of the reduction was partially offset by an increase in Education Enhancement appropriations (Lottery Funds) of \$1.2 million. In addition, the State Legislature authorized a tuition increase, which is anticipated to generate an additional \$4.5 million in tuition and fees for the University.

As the Legislature continues to reduce higher education funding in order to balance budget limitations, enrollment growth will play a key role in the financial stability of the University. For the Fall 2010 semester, enrollment grew to an unprecedented 13,277 students. The preliminary headcount for Fall 2011 is 13,207. Projections demonstrated enrollment will remain relatively stable through the fiscal year 2016-17.

During the 2010-11 fiscal year, the Board of Trustees approved a restructuring and reinvestment plan to strengthen or realign academic programs, enhance administrative efficiencies, and contend with fiscal constraints. The University also implemented measured strategies that are more entrepreneurial in their approach to acquire additional revenue streams for the academic enterprise. The University has developed community partnerships that offer programs in the health care disciplines and volunteer health care services to surrounding neighbors. Moreover, distance learning programs are being expanded. But more importantly, the University is expanding its efforts to spawn additional financial resources from corporate and private constituents. The culmination of the above factors will ensure that the University meets its mission of quality instruction, research, and public service.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2011**

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,800,363	\$ 1,149,719
Investments	82,242,532	
Accounts Receivable, Net	18,221,749	1,277,237
Loans and Notes Receivable, Net	45,069	24,926
Due from State	62,996,883	
Inventories	515,974	6,222
Other Current Assets		399
Total Current Assets	<u>165,822,570</u>	<u>2,458,503</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	11,335,978	
Restricted Investments	10,166,319	112,933,517
Loans and Notes Receivable, Net	2,058,902	
Depreciable Capital Assets, Net	448,405,454	22,564
Nondepreciable Capital Assets	36,163,700	
Other Noncurrent Assets		3,228
Total Noncurrent Assets	<u>508,130,353</u>	<u>112,959,309</u>
TOTAL ASSETS	<u>\$ 673,952,923</u>	<u>\$ 115,417,812</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 4,202,457	\$ 228,139
Construction Contracts Payable	3,422,142	
Salaries and Wages Payable	2,637,990	
Deposits Payable	3,808,563	
Due to State	89,126	
Deferred Revenue	5,870,495	316,686
Other Current Liabilities		2,061,344
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	1,707,000	
Loans and Notes Payable	83,333	60,119
Capital Leases Payable	306,496	
Compensated Absences Payable	1,323,022	
Total Current Liabilities	<u>23,450,624</u>	<u>2,666,288</u>

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2011

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	\$ 29,037,083	\$
Loans and Notes Payable	166,667	279,539
Capital Leases Payable	2,678,731	
Compensated Absences Payable	17,713,265	
Other Postemployment Benefits Payable	4,635,000	
Other Noncurrent Liabilities	2,287,593	
Total Noncurrent Liabilities	56,518,339	279,539
TOTAL LIABILITIES	79,968,963	2,945,827
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	457,228,520	22,564
Restricted for Nonexpendable:		
Endowment		79,730,056
Restricted for Expendable:		
Debt Service	1,218,582	
Loans	1,862,193	
Capital Projects	71,043,647	
Other	2,243,931	32,266,318
Unrestricted	60,387,087	453,047
TOTAL NET ASSETS	593,983,960	112,471,985
TOTAL LIABILITIES AND NET ASSETS	\$ 673,952,923	\$ 115,417,812

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

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011**

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$38,360,620 (\$1,852,236 Pledged for Parking Capital Improvement Debt)	\$ 50,785,681	\$
Federal Grants and Contracts	41,493,254	
State and Local Grants and Contracts	7,194,510	
Nongovernmental Grants and Contracts	1,899,605	
Sales and Services of Auxiliary Enterprises (\$11,167,585 Pledged for Housing Capital Improvement Debt, \$1,031,928 Pledged for Parking Capital Improvement Debt, and \$2,470,780 Pledged for Student Services Capital Improvement Debt)	22,385,026	
Interest on Loans and Notes Receivable	68,003	
Other Operating Revenues	5,385,061	7,447,953
Total Operating Revenues	129,211,140	7,447,953
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	170,530,799	1,306,679
Services and Supplies	52,572,444	8,785,210
Utilities and Communications	14,009,360	36,819
Scholarships, Fellowships, and Waivers	34,894,217	
Depreciation	20,778,660	6,074
Total Operating Expenses	292,785,480	10,134,782
Operating Loss	(163,574,340)	(2,686,829)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	107,901,006	
Federal and State Student Financial Aid	52,084,680	
State Appropriated American Recovery and Reinvestment Act Funds	8,460,902	
Investment Income	2,041,501	2,787,586
Unrealized Gains on Investments	1,605,499	14,006,506
Other Nonoperating Revenues	113,652	
Loss on Disposal of Capital Assets	(27,528)	
Interest on Capital Asset-Related Debt	(1,737,811)	
Other Nonoperating Expenses	(314,411)	
Net Nonoperating Revenues	170,127,490	16,794,092
Income Before Other Revenues, Expenses, Gains, or Losses	6,553,150	14,107,263
State Capital Appropriations	57,249,585	
Capital Grants, Contracts, Donations, and Fees	7,438,239	
Increase in Net Assets	71,240,974	14,107,263
Net Assets, Beginning of Year	522,742,986	98,364,722
Net Assets, End of Year	\$ 593,983,960	\$ 112,471,985

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

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 52,407,001
Grants and Contracts	54,075,713
Sales and Services of Auxiliary Enterprises	22,324,596
Interest on Loans and Notes Receivable	26,734
Payments to Employees	(172,173,019)
Payments to Suppliers for Goods and Services	(66,269,815)
Payments to Students for Scholarships and Fellowships	(34,894,217)
Net Loans Issued to Students	(158,220)
Other Operating Receipts	6,119,290
	(138,541,937)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	109,793,217
Federal and State Student Financial Aid	52,084,680
State Appropriated American Recovery and Reinvestment Act Funds	8,819,223
Direct Loan Program Receipts	114,676,769
Direct Loan Program Disbursements	(113,230,764)
Net Change in Funds Held for Others	(1,300,794)
Other Nonoperating Disbursements	(229,288)
	170,613,043
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Leases	250,000
State Capital Appropriations	34,820,053
Capital Grants, Contracts, Donations, and Fees	7,240,282
Other Capital Related Disbursements	(210,624)
Purchase or Construction of Capital Assets	(49,485,469)
Principal Paid on Capital Debt and Leases	(1,462,069)
Interest Paid on Capital Debt and Leases	(1,719,568)
	(10,567,395)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments, Net	(14,693,565)
Investment Income	2,009,950
	(12,683,615)
Net Increase in Cash and Cash Equivalents	8,820,096
Cash and Cash Equivalents, Beginning of Year	4,316,245
	\$ 13,136,341
Cash and Cash Equivalents, End of Year	\$ 13,136,341

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2011**

	University
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (163,574,340)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	20,778,660
Change in Assets and Liabilities:	
Receivables, Net	5,148,444
Inventories	(128,464)
Accounts Payable	440,452
Salaries and Wages Payable	(3,122,975)
Compensated Absences Payable	(125,244)
Deferred Revenue	435,530
Other Postemployment Benefits Payable	1,606,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (138,541,937)

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

Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 1,605,499
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (27,528)

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

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

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

- The Florida Agricultural and Mechanical University Foundation, Inc., is authorized to win increasing private support to meet the critical needs of the University that are not met by public funds and assist the University in maintaining its "margin of excellence."
- The Florida Agricultural and Mechanical University National Alumni Association, Inc., provides funds to foster scholarships and enhance the image of the University through positive public relations and public service.
- The Florida Agricultural and Mechanical University Booster Club, Inc., provides contributions to the University to stimulate the education, health, and physical welfare of the students.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

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

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

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

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University has elected to apply those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

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 revenues include State appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. 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.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Capital Assets. University capital assets consist of land; construction in progress; works of art and historical treasures; buildings, infrastructure and other improvements; furniture and equipment; library resources; computer software; property under capital leases; and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property, \$100,000 for new buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Works of Art and Historical Treasures – 5 years
- Computer software - 3 to 7 years
- Property under Capital Leases – 10 years

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, loans and notes payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the debt 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 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 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. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

External Investment Pools

State Treasury Special Purpose Investment Account (SPIA). The University reported investments at fair value totaling \$91,195,410 at June 30, 2011, 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 Af by Standard & Poor’s and had an effective duration of 2.13 years at June 30, 2011. 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.

State Board of Administration Debt Service Accounts. The University reported investments at fair value totaling \$1,213,441 at June 30, 2011, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University’s investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

Component Units Investments

Investments held by the University’s component unit, Florida Agricultural and Mechanical University Foundation, Inc., at June 20, 2011, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
United States Guaranteed Obligations	\$ 7,417,936
Bonds	15,031,182
Stocks	46,535,655
Real Estate Investments	10,062,594
Mutual Funds	10,670,611
Investment Agreements	<u>23,215,539</u>
Total Component Unit Investments	<u>\$ 112,933,517</u>

3. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans. As of June 30, 2011, the University reported the following amounts as accounts receivable:

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Description	Amount
Student Tuition and Fees	\$ 24,228,714
Contracts and Grants	8,647,558
Interest Receivable	878,329
Other	2,129,321
Total Accounts Receivable	35,883,922
Allowance for Doubtful Accounts	(17,662,173)
Total Accounts Receivable, Net	\$ 18,221,749

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes receivable, are reported based on management’s best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$17,662,173 and \$966,985, respectively, at June 30, 2011.

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 \$55,812,981 of Public Education Capital Outlay, \$6,400,000 allocations due from the State to the University for construction of University facilities in Crestview, Florida, and \$783,902 of American Recovery and Reinvestment Act funds due from the State.

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 5,826,333	\$	\$	\$ 5,826,333
Construction in Progress	30,785,986	19,458,487	20,579,741	29,664,732
Works of Art and Historical Treasures	618,888	53,747		672,635
Total Nondepreciable Capital Assets	\$ 37,231,207	\$ 19,512,234	\$ 20,579,741	\$ 36,163,700
Depreciable Capital Assets:				
Buildings	\$ 431,898,167	\$ 32,900,657	\$	\$ 464,798,824
Infrastructure and Other Improvements	65,724,965	7,321,165		73,046,130
Furniture and Equipment	90,482,777	6,717,758	3,627,664	93,572,871
Library Resources	52,021,937	1,625,438	752,616	52,894,759
Property Under Capital Leases	841,794			841,794
Works of Art and Historical Treasures	114,952			114,952
Computer Software	798,388	111,522	106,711	803,199
Other Capital Assets	26,200	2,430		28,630
Total Depreciable Capital Assets	641,909,180	48,678,970	4,486,991	686,101,159
Less, Accumulated Depreciation:				
Buildings	104,921,287	8,375,596		113,296,883
Infrastructure and Other Improvements	11,236,631	1,336,190		12,572,821
Furniture and Equipment	67,187,970	7,538,101	3,266,897	71,459,174
Library Resources	37,240,366	3,194,947	752,616	39,682,697
Property Under Capital Leases		147,314		147,314
Works of Art and Historical Treasures	91,657	8,942		100,599
Computer Software	346,254	177,570	87,607	436,217
Total Accumulated Depreciation	221,024,165	20,778,660	4,107,120	237,695,705
Total Depreciable Capital Assets, Net	\$ 420,885,015	\$ 27,900,310	\$ 379,871	\$ 448,405,454

6. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2011, to spend the funds, money drawn in advance of incurring expenses for cost reimbursement contracts and grants, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2011, the University reported the amounts as deferred revenue:

<u>Description</u>	<u>Amount</u>
State Capital Appropriations	\$ 61,059
Contracts and Grants	4,715,624
Other	1,093,812
Total Deferred Revenue	\$ 5,870,495

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

7. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2011, include capital improvement debt payable, loans and notes payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	\$ 31,894,840	\$	\$ 1,150,757	\$ 30,744,083	\$ 1,707,000
Loans and Notes Payable		250,000		250,000	83,333
Capital Leases Payable	3,278,296		293,069	2,985,227	306,496
Compensated Absences Payable	19,161,531	1,088,578	1,213,822	19,036,287	1,323,022
Other Postemployment Benefits Payable	3,029,000	2,548,000	942,000	4,635,000	
Other Noncurrent Liabilities	2,320,242		32,649	2,287,593	
Total Long-Term Liabilities	\$ 59,683,909	\$ 3,886,578	\$ 3,632,297	\$ 59,938,190	\$ 3,419,851

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2011:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2010A Dormitory	\$ 14,687,000	\$ 14,673,985	5.07	2030
2010B Dormitory Revenue Refunding	12,960,000	12,128,777	4.6	2025
Total Student Housing Debt	27,647,000	26,802,762		
Parking Garage Debt:				
1997 Parking Garage	2,880,000	1,320,014	5.125 - 5.3	2018
Student Service Center Debt:				
1997 Student Service Center	6,310,000	2,621,307	5.2 - 5.4	2017
Total Capital Improvement Debt	\$ 36,837,000	\$ 30,744,083		

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

The University has pledged a portion of future housing rental revenues, traffic and parking fees, and various student fee assessments to repay \$3,941,321 in capital improvement (parking and student service center) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages and a student service center. The bonds are payable solely from traffic and parking fees, and special student fee assessments and are payable through 2018. The University has committed to appropriate each year from the traffic and parking fees and special student fee assessments, amounts sufficient to cover the principal and interest requirements on the debt.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Total principal and interest remaining on the debt is \$4,752,001, and principal and interest paid for the current year totaled \$756,412. During the 2010-11 fiscal year, traffic and parking fees, parking sales and services, and student service center sales and services totaled \$1,852,236, \$1,031,928, and \$2,470,780, respectively.

The University has pledged a portion of future housing rental revenues to repay \$26,802,762 in capital improvement (housing) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing for the refunding of existing capital improvement debt for student housing facilities and to remodel two existing student housing facilities. The bonds are payable solely from housing rental income and are payable through 2030. The University has committed to appropriate each year from the housing rental income amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$39,628,369 and principal and interest paid for the current year totaled \$1,989,844. During the 2010-11 fiscal year housing rental income totaled \$11,167,585.

On June 29, 2010, the Florida Board of Governors issued \$12,960,000 of Dormitory Revenue Refunding Bonds, Series 2010B, through a private placement with the Branch Banking and Trust Company (BB&T). The refunding bonds defeased \$12,865,000 of the outstanding Student Apartment Facility Revenue Bonds, Series 1992 and 1996. On July 29, 2010, the defeased bonds were paid in full.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 1,707,000	\$ 1,507,085	\$ 3,214,085
2013	1,791,000	1,422,557	3,213,557
2014	1,884,000	1,333,308	3,217,308
2015	1,985,000	1,239,314	3,224,314
2016	2,084,000	1,140,307	3,224,307
2017-2021	9,113,000	4,235,554	13,348,554
2022-2026	8,060,000	2,077,527	10,137,527
2027-2030	4,344,000	509,332	4,853,332
Subtotal	30,968,000	13,464,984	44,432,984
Less: Net Discounts and Premiums, and Losses on Debt Refunding	<u>(223,917)</u>		<u>(223,917)</u>
Total	<u>\$ 30,744,083</u>	<u>\$ 13,464,984</u>	<u>\$ 44,209,067</u>

Loans and Notes Payable. On June 10, 2010, the University approved paying \$250,000 over three years to Florida State University, at an interest rate the same as that earned on Florida State University’s auxiliary investments with the State Treasury, to help finance the cost of the digital 3D upgrade of the Challenger Learning Center’s IMAX system. The note matures August 10, 2013, and principal and interest payments

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

are made annually. Annual requirements to amortize the outstanding notes as of June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 83,333	\$ 4,532	\$ 87,865
2013	83,333	2,428	85,761
2014	83,334	324	83,658
Total	<u>\$ 250,000</u>	<u>\$ 7,284</u>	<u>\$ 257,284</u>

Capital Leases Payable. The University entered into capital lease agreements in the amount of \$3,325,405, to finance the purchase of two travel buses and an energy savings contract. The stated interest rates are 4 and 4.5 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	\$ 435,381
2013	435,381
2014	435,381
2015	738,381
2016	318,981
2017-2020	<u>1,196,178</u>
Total Minimum Payments	3,559,683
Less, Amount Representing Interest	<u>(574,456)</u>
Present Value of Minimum Payments	<u>\$ 2,985,227</u>

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2011, the estimated liability for compensated absences, which includes the University’s share of the Florida Retirement System and FICA contributions, totaled \$19,036,287. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years’ total compensated absences liability.

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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 2010-11 fiscal year, 331 retirees received postemployment healthcare benefits. The University provided required contributions of \$942,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,400,000.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of 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 year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 1,262,000
Amortization of Unfunded Actuarial Accrued Liability	1,168,000
Interest on Normal Cost and Amortization	97,000
Annual Required Contribution	2,527,000
Interest on Net OPEB Obligation	121,000
Adjustment to Annual Required Contribution	(100,000)
Annual OPEB Cost (Expense)	2,548,000
Contribution Toward the OPEB Cost	(942,000)
Increase in Net OPEB Obligation	1,606,000
Net OPEB Obligation, Beginning of Year	3,029,000
Net OPEB Obligation, End of Year	\$ 4,635,000

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2011, and for the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 1,417,000	65.9%	\$ 1,219,000
2009-10	2,693,000	32.8%	3,029,000
2010-11	2,548,000	37.0%	4,635,000

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$36,800,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$36,800,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$110,943,835 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 33.2 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.

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Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the University's 2010-11 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. Healthcare cost trend rates were 9.02, 9.47, and 9.62 percent for the current and two subsequent years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 7.11, 10.5, and 10.5 percent for the current and two subsequent years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.6 percent in the fourth year grading identically to 5.1 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, 2011, was 26 years.

Other Noncurrent Liabilities. Other noncurrent liabilities consist of the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or have excess cash in the loan program. Federal capital contributions held by the University totaled \$2,287,593 at June 30, 2011.

8. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction

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for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2010-11 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Florida Retirement System, Special Risk	0.00	23.25
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions, including employee contributions, for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$6,089,283, \$6,262,741, and \$7,008,927, respectively, which were equal to the required contributions for each fiscal year.

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

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143 University participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$546,743.

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

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

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

There were 638 University participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$4,561,561, and employee contributions totaled \$1,964,437.

9. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2011, are as follows:

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Project Description	Total Committed	Completed to Date	Balance Committed
Sampson and Young Renovation	\$ 14,949,171	\$ 8,895,816	\$ 6,053,355
Gore Education Complex Remodeling	14,226,619	1,456,972	12,769,647
Utilities and Infrastructure	11,077,534	3,882,854	7,194,680
Recreation Center - Phase II	7,560,120	7,067,730	492,390
FAMU/FSU College of Engineering	6,170,466	423,401	5,747,065
Pharmacy - Phase II	6,118,619	975,424	5,143,195
Maintenance and Renovations	4,901,495	3,162,751	1,738,744
Electrical and Technical Upgrades	2,461,283		2,461,283
Chilled Water	2,080,871	1,980,763	100,108
University Commons	1,489,027	580,435	908,592
Other (1)	2,140,135	1,238,586	901,549
Total	<u>\$ 73,175,340</u>	<u>\$ 29,664,732</u>	<u>\$ 43,510,608</u>

Note: (1) All other projects with total committed of less than \$1 million.

10. OPERATING LEASE COMMITMENTS

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	\$ 645,934
2013	638,952
2014	394,238
2015	394,619
2016	310,306
2017-2021	1,551,529
2022-2026	1,551,529
2027	<u>155,153</u>
Total Minimum Payments Required	<u>\$ 5,642,260</u>

11. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers’ compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2010-11 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 name windstorm and

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flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$58.75 million for named windstorm and flood losses through February 14, 2011, and increased to \$61 million starting February 15, 2011. For perils other than named wind and flood losses in excess of \$2 million per occurrence were commercially insured up to \$200 million, and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$100,000 per person, and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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Functional Classification	Amount
Instruction	\$ 77,024,064
Research	25,660,512
Public Services	8,474,344
Academic Support	37,652,845
Student Services	7,567,745
Institutional Support	32,815,833
Operation and Maintenance of Plant	22,470,631
Scholarships and Fellowships	34,954,114
Depreciation	20,778,660
Auxiliary Enterprises	25,280,899
Loan Operations	105,833
Total Operating Expenses	<u>\$ 292,785,480</u>

13. SEGMENT INFORMATION

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

Condensed Statement of Net Assets

	Student Housing	Parking	Student Services
Assets			
Current Assets	\$ 14,927,855	\$ 2,554,062	\$ 5,745,754
Capital Assets, Net	<u>26,150,875</u>	<u>2,174,299</u>	<u>6,130,430</u>
Total Assets	<u>41,078,730</u>	<u>4,728,361</u>	<u>11,876,184</u>
Liabilities			
Current Liabilities	3,895,846	315,213	491,899
Noncurrent Liabilities	<u>25,857,476</u>	<u>1,248,566</u>	<u>2,303,002</u>
Total Liabilities	<u>29,753,322</u>	<u>1,563,779</u>	<u>2,794,901</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,937,131	954,102	3,509,123
Restricted - Expendable	3,310,498	770,089	1,063,160
Unrestricted	<u>3,077,779</u>	<u>1,440,391</u>	<u>4,509,000</u>
Total Net Assets	<u>\$ 11,325,408</u>	<u>\$ 3,164,582</u>	<u>\$ 9,081,283</u>

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
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JUNE 30, 2011

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

	Student Housing	Parking	Student Services
Operating Revenues	\$ 11,167,585	\$ 2,884,164	\$ 2,470,780
Depreciation Expense	(632,943)	(99,817)	(214,769)
Other Operating Expenses	(5,855,338)	(1,915,136)	(1,457,468)
Operating Income	4,679,304	869,211	798,543
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	435,074	10	22
Interest Expense	(1,340,844)	(77,287)	(159,125)
Other Nonoperating Expense	(1,189,592)	(214,802)	(157,891)
Net Nonoperating Expenses	(2,095,362)	(292,079)	(316,994)
Increase in Net Assets	2,583,942	577,132	481,549
Net Assets, Beginning of Year	8,741,466	2,124,142	7,753,833
Adjustment to Net Assets, Beginning of Year		463,308	845,901
Net Assets, End of Year	\$ 11,325,408	\$ 3,164,582	\$ 9,081,283

Condensed Statement of Cash Flows

	Student Housing	Parking	Student Services
Net Cash Provided (Used) by:			
Operating Activities	\$ 5,566,918	\$ 1,102,222	\$ 1,067,617
Noncapital Financing Activities	(1,175,891)	(213,227)	(142,881)
Capital and Related Financing Activities	(9,535,964)	(234,316)	(536,542)
Investing Activities	7,341,646	10	22
Net Increase in Cash and Cash Equivalents	2,196,709	654,689	388,216
Cash and Cash Equivalents, Beginning of Year	336,769	1,220,152	4,511,637
Adjustment to Cash, Beginning of the Year		463,308	845,901
Cash and Cash Equivalents, End of Year	\$ 2,533,478	\$ 2,338,149	\$ 5,745,754

Note: Beginning net assets were adjusted due to a prior year transfer of the investment and sinking funds being recorded in an unrelated department.

14. COMPONENT UNITS

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

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JUNE 30, 2011**

	Direct-Support Organizations			Total
	Florida Agricultural and Mechanical University Foundation, Inc	Florida Agricultural and Mechanical University National Alumni Association, Inc	Florida Agricultural and Mechanical University Boosters Club, Inc.	
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 2,107,579	\$ 6,940	\$ 343,984	\$ 2,458,503
Capital Assets, Net	8,132		14,432	22,564
Other Noncurrent Assets	111,515,814	1,417,703	3,228	112,936,745
Total Assets	113,631,525	1,424,643	361,644	115,417,812
Liabilities:				
Current Liabilities	2,232,654	56,829	376,805	2,666,288
Noncurrent Liabilities			279,539	279,539
Total Liabilities	2,232,654	56,829	656,344	2,945,827
Net Assets:				
Invested in Capital Assets	8,132		14,432	22,564
Restricted	110,715,659	1,280,715		111,996,374
Unrestricted	675,080	87,099	(309,132)	453,047
Total Net Assets	\$ 111,398,871	\$ 1,367,814	\$ (294,700)	\$ 112,471,985
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 6,496,567	\$ 440,029	\$ 511,357	\$ 7,447,953
Operating Expenses	9,292,540	437,565	404,677	10,134,782
Operating Income (Loss)	(2,795,973)	2,464	106,680	(2,686,829)
Net Nonoperating Revenues	16,753,564	40,316	212	16,794,092
Increase in Net Assets	13,957,591	42,780	106,892	14,107,263
Net Assets, Beginning of Year	97,441,280	1,325,034	(401,592)	98,364,722
Net Assets, End of Year	\$ 111,398,871	\$ 1,367,814	\$ (294,700)	\$ 112,471,985

15. JOINTLY GOVERNED ORGANIZATION

The University’s Board of Trustees and the Board of Trustees of Bethune-Cookman University created the Florida Classic Consortium Corporation (FCCC). The FCCC Board is composed of six members each from the University and Bethune-Cookman University. The primary purpose of FCCC is to organize, sponsor, manage, produce, promote, and participate in the athletic contest specifically known as the Florida Classic (a football contest between the University and Bethune-Cookman University); to solicit, raise and otherwise receive funds from sponsors and the general public; and to use, contribute, disburse, and dispose of such funds for the above purpose and the athletic programs of the University and Bethune-Cookman University. According to a report issued by an independent certified public accounting firm, the University received distributions of \$327,111 and retained ticket sales of \$636,345, for a total distribution of \$963,465 of the proceeds from the Florida Classic football game held on November 20, 2010.

**FLORIDA AGRICULTURAL AND MECHANICAL 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]
7/1/2007	\$	\$ 25,388,000	\$ 25,388,000	0%	\$ 111,976,892	22.7%
7/1/2009	\$	\$ 36,800,000	\$ 36,800,000	0%	\$ 116,164,144	31.7%

Note: (1) The actuarial cost method used by the University is the entry-age cost actuarial method.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2009, unfunded actuarial liability of \$36,800,000 was significantly higher than the July 1, 2007, liability of \$25,388,000 as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and changes in the rates of decrement and mortality and the amortization factor.



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

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

We have audited the financial statements of Florida Agricultural and Mechanical University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2011, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Respectfully submitted,



David W. Martin, CPA
February 29, 2012