



AUDITOR GENERAL
WILLIAM O. MONROE, CPA



FLORIDA GULF COAST UNIVERSITY
Financial Audit

For the Fiscal Year Ended June 30, 2005

During the audit period, the President of the University was Dr. William C. Merwin. Members of the University's Board of Trustees who served during the audit period are listed below:

Board Member

Scott F. Lutgert, Chair
Dr. W. Bernard Lester, Vice-Chair to 1-17-05
Edward A. Morton, Vice-Chair from 1-18-05
Andres Andrade from 5-1-05 (2)
Dr. Sharon Irish Blevins from 6-1-05 (1)
Brian Cobb
Matthew Hall to 4-30-05 (2)
Lindsay M. Harrington from 2-4-05 (3)
Larry D. Hart
Dr. Donna Price Henry to 5-31-05 (1)
Renee Lee to 7-23-04 (3)
David Lucas
Dr. Harry K. Moon
Jerry Starkey
Michael Villalobos
Jaynie M. Whitcomb

Notes: (1) Faculty senate chair.
(2) Student body president.
(3) Position remained vacant from July 24, 2004, through February 3, 2005.

FLORIDA GULF COAST UNIVERSITY

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EXECUTIVE SUMMARY

The audit of the financial statements of Florida Gulf Coast University for the fiscal year ended June 30, 2005, was conducted pursuant to Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the University, a component unit of the State of Florida, and a determination as to whether management has complied with applicable laws, administrative rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the University is included in our Statewide audit of Federal awards administered by the State of Florida.

The following provides a summary of the findings of our audit of the financial statements of the University:

- We found that the University's financial statements presented fairly, in all material respects, the financial positions of the University and its discretely presented component unit as of June 30, 2005; the revenues, expenses, and changes in net assets; and the cash flows for the fiscal year then ended.
- We noted no matters involving the University's internal control over financial reporting and its operation that we considered 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*.

This audit was made in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. This audit was coordinated by Deirdre F. Waigand, CPA, and supervised by Reginald C. McNeill, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at redsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2005, as shown on pages 13 through 38. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which comprises 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for this entity, is based solely upon the report of the other auditors.

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


In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Florida Gulf Coast University and of its discretely presented component unit as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, the University changed its method of reporting certain Federal and State student financial aid moneys for the 2004-05 fiscal year in accordance with GASB Statements No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This affects the comparability of amounts reported as operating and nonoperating revenues, and operating expenses, on the statement of revenues, expenses, and changes in net assets for the 2004-05 fiscal year with amounts reported for the 2003-04 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Florida Gulf Coast University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative 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 the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



William O. Monroe, CPA
January 10, 2006



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

The President of the Senate, the Speaker of the
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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 Gulf Coast University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2005, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. 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. Our report on the financial statements included disclosures regarding our reference to the report of other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the University's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

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, administrative rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA
January 10, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OVERVIEW OF THE FINANCIAL STATEMENTS
AND FINANCIAL ANALYSIS**

This section of Florida Gulf Coast University's (University) annual financial report presents a discussion and analysis of the financial performance of the University during the fiscal year ended June 30, 2005, with 2003-04 fiscal year data presented for comparative purposes. The emphasis of discussions about these statements will be on current year activities, resulting changes, and currently known facts. This discussion should be read in conjunction with the financial statements and related notes. Responsibility for the completeness and fairness of this information rests with the University's management.

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities* and GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. Florida Gulf Coast University's reporting model under GASB Statement No. 35 is a special-purpose government entity engaged only in business-type activities.

THE STATEMENT OF NET ASSETS

The statement of net assets presents the assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities) as of the end of the fiscal year. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the services are provided and expenses and liabilities are recognized when goods or services are received, regardless of when cash is exchanged. The purpose of the statement of net assets is to present to the reader of financial statements a fiscal snapshot of the University at June 30, 2005.

From the data presented, readers of the statement of net assets are able to determine the assets available to continue operations of the University. In addition, they are also able to determine how much the University owes employees, vendors, and other parties. Finally, the statement of net assets provides a picture of the net assets and availability of those funds for use by the University. Over time, this provides an indication of the overall financial condition of the University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of debt, provides the University's equity in property, plant, and equipment. The next asset category is restricted net assets, which is divided into four parts: debt service, loans, capital projects, and other restricted net assets. These restricted net assets are available for expenditure by the University, but must be spent for the purpose determined by external entities that have placed restrictions on the use of the assets. The final asset category, unrestricted net assets, is available to the University for any lawful purpose.

A condensed statement of the University's net assets is presented in the following table:

Statement of Net Assets		
	<u>6-30-05</u>	<u>6-30-04</u>
Assets		
Current Assets	\$ 56,814,594	\$ 59,631,329
Capital Assets, Net	200,802,634	182,941,632
Other Noncurrent Assets	<u>20,070,191</u>	<u>7,986,802</u>
Total Assets	<u><u>\$ 277,687,419</u></u>	<u><u>\$ 250,559,763</u></u>
Liabilities		
Current Liabilities	\$ 18,093,207	\$ 12,866,137
Noncurrent Liabilities	<u>73,078,062</u>	<u>53,803,312</u>
Total Liabilities	<u>91,171,269</u>	<u>66,669,449</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	149,827,768	143,402,950
Restricted:		
Debt Service	1,000,000	
Loans	234,808	201,392
Capital Projects	18,648,501	24,926,099
Other Restricted Net Assets	5,311,479	5,191,273
Unrestricted	<u>11,493,594</u>	<u>10,168,600</u>
Total Net Assets	<u>186,516,150</u>	<u>183,890,314</u>
Total Liabilities and Net Assets	<u><u>\$ 277,687,419</u></u>	<u><u>\$ 250,559,763</u></u>

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2005, with an increase of net assets in the amount of \$2,625,836, or 1.4 percent, over the 2003-04 fiscal year. This is an indicator of the overall financial condition and health of the University.

The total assets of the University increased by \$27,127,656. A review of the statement of net assets will reveal that the increase was primarily the result of an increase in capital assets. The total liabilities for the year increased by \$24,501,820. Unlike for the 2003-04 fiscal year, when there was no deferred revenue, total liabilities for the 2004-05 fiscal year included deferred revenue of \$13.4 million (\$8.4 million in current liabilities and \$5 million in noncurrent liabilities). The deferred revenue represents two Alec B. Courtelis capital appropriations not yet encumbered at June 30, 2005. The revenue from them will be recognized in future years. The most significant cause for the increase in noncurrent liabilities was a \$14 million increase in bond obligations for a 288 bed apartment style student residence facility (Student Residence Phase VII) and a 500 space parking garage (Parking Phase I). The increase in the University's net assets is determined by subtracting the increase in total liabilities from the increase in total assets.

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

Changes in total net assets as presented on the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to show the operating

and nonoperating revenues received by the University; the operating and nonoperating expenses paid by the University; and any other revenues, expenses, gains, and losses of the University. Operating revenues are, generally, student tuition and fees, grants, and auxiliary services revenues received from students and others to provide them with instruction and other goods and services. Operating expenses are those expenses paid to acquire or produce the goods and services provided to students. In contrast, nonoperating revenues and expenditures are for goods and services not provided by the University. An example of nonoperating revenues would be State appropriations. State appropriations are classified as nonoperating revenues because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues. Reporting State revenue (appropriations) as nonoperating revenue will normally result in an operating loss.

As discussed in note 2 to the financial statements, the University changed its method of reporting certain Federal and State student financial aid moneys for the 2004-05 fiscal year in accordance with GASB Statements No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, and No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In this management discussion and analysis only, for comparability purposes, the 2003-04 fiscal year amounts have been restated using the same method of reporting adopted for the 2004-05 fiscal year.

The new method of reporting certain Federal and State student financial aid moneys requires that they be shown as nonoperating revenue rather than operating revenue. Additionally, receipts and disbursements of the Bright Futures Scholarship and Florida Public Student Assistance Grant programs, formerly recorded as additions and deductions in an Agency Fund, must now be reported on the statement of revenues, expenses, and changes in net assets. Those programs' expenses must be reported as operating scholarship expenses, whereas revenues are considered nonexchange transactions and must be reported as nonoperating revenues. The effect of these changes is that, although net income is unaffected, the net operating loss is substantially increased.

A condensed statement of the University's revenues, expenses, and changes in net assets is presented on the following table:

Statement of Revenues, Expenses, and Changes in Net Assets

	2004-05	2003-04
Operating Revenues	\$ 42,364,372	\$ 35,223,611
Operating Expense	89,214,881	74,819,452
Operating Loss	(46,850,509)	(39,595,841)
Nonoperating Revenues	44,117,959	36,912,129
Net Loss Before Capital Appropriations, Capital Grants, and Transfers	(2,732,550)	(2,683,712)
Capital Appropriations, Capital Grants, and Transfers	5,358,386	10,553,525
Net Increase in Net Assets	2,625,836	7,869,813
Net Assets, Beginning of Year	183,890,314	176,020,501
Net Assets, End of Year	<u>\$ 186,516,150</u>	<u>\$ 183,890,314</u>

The statement of revenues, expenses, and changes in net assets reflects an increase in net assets in the amount of \$2,625,836, or 1.4 percent, as compared to the 2003-04 fiscal year. The increase is due to an increase in general appropriations from the Legislature, an increase in operating revenue due to student enrollment growth, and higher student tuition rates and fees. As a result, there was a corresponding increase in operating expenses due primarily to an increase in compensation and employee benefits. State contributions (appropriations) for capital projects, which were in various stages of planning and completion, fluctuate from year to year.

A listing of University operating revenues is presented in the following table:

Operating Revenues

	2004-05	2003-04
Student Tuition and Fees, Net	\$ 15,862,203	\$ 13,068,227
Federal Grants and Contracts	6,687,526	5,093,576
State and Local Contracts and Grants	2,955,340	2,653,075
Nongovernment Contracts and Grants	4,768,046	4,556,026
Auxiliary Enterprises	11,707,457	9,686,555
Other	383,800	166,152
Total	<u>\$ 42,364,372</u>	<u>\$ 35,223,611</u>

Total operating revenues for the fiscal year ended June 30, 2005, was \$42,364,372, of which \$21,336,409 was from student tuition and fees. The tuition allowance, which represents institutional scholarships, was \$5,474,206. Its reduction of gross fees resulted in net student tuition and fees of \$15,862,203, which represents an increase of \$2,793,976, or 21.4 percent, over the 2003-04 fiscal year. Increased student enrollment and higher tuition and fee rates are the cause of the increase.

Federal grants and contracts increased by \$1,593,950, or 31.3 percent, because of the increasing number and size of grants received through the Office of Sponsored Research and Programs. In the 2004-05 fiscal year, the University, for the first time, was awarded two Federal research grants that exceeded \$1,000,000 each. Sales and services from auxiliary enterprises reflect a 20.9 percent increase over the 2003-04 fiscal year due primarily to larger housing operations with new student housing facilities.

A summary of University operating expenses is presented in the following table:

Operating Expenses		
	<u>2004-05</u>	<u>2003-04</u>
Compensation and Employee Benefits	\$ 55,299,369	\$ 45,317,542
Services and Supplies	17,807,753	14,109,726
Utilities and Communications	3,306,888	2,783,634
Scholarships and Fellowships	6,026,142	6,053,979
Depreciation	<u>6,774,729</u>	<u>6,554,571</u>
Total Operating Expenses	<u><u>\$ 89,214,881</u></u>	<u><u>\$ 74,819,452</u></u>

Total operating expenses (including depreciation of \$6,774,729) for the fiscal year ended June 30, 2005, was \$89,214,881, of which \$55,299,369, or 62 percent, was for compensation and employee benefits. Compensation and employee benefits increased 22 percent over the 2003-04 fiscal year as a result of annual salary increases and new employees hired. The decrease in scholarships and fellowships was related to the change in reporting of certain Federal and State student financial assistance programs. The effect of the change was a substantial increase in a calculated scholarship allowance, which decreases scholarship expense as well as tuition and fee revenue. There was no impact on net revenue from these reporting changes and reclassifications. Other than the increase in utilities and communications expense of 18.8 percent, there were no other significant or unexpected changes in operating expenses.

THE STATEMENT OF CASH FLOWS

The statement of cash flows presents detailed information about the cash activity of the University during the fiscal year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used in the operating activities of the University. The second section reflects cash flows from noncapital financing activities, which include State appropriation funding. The third section deals with cash flows from capital and related financing activities. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used by operating activities to the operating income or loss reflected on the statement of revenues, expenses, and changes in net assets.

The following table summarizes the University's cash flows:

Cash Flows for the Fiscal Years

	2004-05	2003-04
Cash Received from Operating Activities	\$ 54,855,834	\$ 35,782,778
Cash Expended for Operating Activities	(80,745,204)	(67,093,694)
Net Cash Used by Operations	(25,889,370)	(31,310,916)
Net Cash Provided from Noncapital Financing Activities	44,410,044	37,673,656
Net Cash Used by Capital and Related Financing Activities	(10,249,444)	(149,876)
Net Cash Used by Investing Activities	(1,879,497)	(11,460,819)
Net Increase (Decrease) in Cash and Cash Equivalents	6,391,733	(5,247,955)
Cash and Cash Equivalents, Beginning of the Year	5,948,559	11,196,514
Cash and Cash Equivalents, End of the Year	\$ 12,340,292	\$ 5,948,559

The University's overall cash position increased during the year, with a net increase to cash and cash equivalents of \$6,391,733. This increase was due to several events occurring on or before June 30, 2005.

With approval from State Board of Education and the University Board of Trustees, the University began operations independent of the State Chief Financial Officer (formerly the State Comptroller) effective July 1, 2003. In addition to and in accordance with the University's devolution plan, the Florida Department of Financial Services, Bureau of State Payrolls (BOSP), retained control over the University's payroll processing and tax reporting through the end of the calendar year 2003. The University began its own payroll operations independent of BOSP on January 1, 2004, with the implementation of a SCT Banner human resource and payroll system. The fiscal year ended June 30, 2005, was the first complete fiscal year during which the University performed its own payroll processing and tax reporting, which had a positive effect on its cash flow because the University retained control over its cash longer.

The major sources of funds included in operating activities were net student tuition and fees in the amount of \$15,814,772; Federal, State, and local grants and contracts in the amount of \$13,711,374; and auxiliary enterprises revenues in the amount of \$11,707,663. Major uses of funds were payments made to and on behalf of employees totaling \$54,249,431; payments to suppliers totaling \$20,469,630; and payments to and on behalf of students for scholarships totaling \$6,026,143. The largest inflow of cash in the noncapital financing group was general State appropriations in the amount of \$37,209,164 used for operations. Also included in noncapital financing revenues was Federal and State student financial assistance in the amount of \$7,176,592. The source of the largest inflow of cash in the capital financing group was \$5,077,941 in capital appropriations from the State Legislature and \$14,000,000 of proceeds derived from the sale of Capital Improvement Revenue Bonds. The capital appropriations included approximately \$5,000,000 for infrastructure and maintenance. The Capital Improvement Revenue Bonds, Series 2005A in the amount of \$8,000,000, and Series 2005B in the amount of \$6,000,000, were issued to finance the construction of student residence facilities and a parking garage, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Financing Corporation issued Capital Improvement Revenue Bonds, Series 2005A in the amount of \$8,000,000, and Series 2005B in the amount of \$6,000,000, during the fiscal year ended June 30, 2005. The Series 2005A bonds were used to finance the construction and equipping of a 288 bed apartment style student residence facility (Student Residence Phase VII) and the Series 2005B bonds are being used to finance the construction and equipping of a 500 space parking garage (Parking Phase I).

The University entered into an Amended and Restated Ground Lease and Operating Lease with Florida Gulf Coast University Financing Corporation (Financing Corporation), solely to facilitate the financing and construction of the student residence and parking facilities. The University leases the land on its property to the Financing Corporation for a rental fee of \$1 per year. The property covered by the ground lease together with improvements thereon is leased back by the University to manage and operate. The master lease will terminate the date on which the bonds and any related obligations are paid in full.

At June 30, 2005, the University had \$149,827,768 invested in capital assets, net of related debt and accumulated depreciation of \$31,875,814. Depreciation expense for the fiscal year totaled \$6,774,729. The University's significant capital asset additions were primarily for new buildings and renovations reported as construction in progress, approximating \$16.1 million including Phase VI of the student residence facilities and a parking garage in the amount of \$5,596,893. The condition of university facilities is excellent. Because the University only opened in August 1997, its oldest building was placed in service at that time, less than a decade ago.

The Legislature has approved and appropriated \$18,482,692 to the University for its 2005-06 fiscal year capital budget. The largest appropriation approved for the coming year is \$10,000,000 for an engineering building. This appropriation is made from the Alec P. Courtelis Capital Facilities Matching Program, and \$5,000,000 will be State money to match a \$5,000,000 private contribution received through the Florida Gulf Coast University Foundation, Inc. In addition, the University expects to recognize as revenue a deferred 2004-05 Courtelis appropriation of \$8,401,768 as construction of a hospitality management building begins. Other important appropriations include the following Public Education Capital Outlay appropriations: (1) roads/parking/infrastructure in the amount of \$5,000,000; (2) Academic VI building in the amount of \$705,000; and (3) maintenance, repairs, and renovations in the amount of \$100,339. In addition, the Legislature approved a revenue bond appropriation of \$2,677,353 for a student union addition.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on its financial position or operations during this year. The University's financial outlook for the future continues to be positive. The level of State support, compensation and benefit increases, and student tuition and fee increases impact the University's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs. General State appropriations, if combined with operating revenues, represent 46.8 percent of the

total of these combined revenues. The level of State support is, therefore, one of the key factors influencing the University's activities. Financial and political support from State government is expected to remain fairly stable with moderate growth over the long-term.

Another significant factor in the University's economic position relates to its ability to recruit and retain high quality students. Fall 2005 total enrollment head count was approximately 7,116 as compared to the Fall 2004 hand count of 6,198, representing an increase of 14.8 percent. First-time-in-college freshman admissions of 1,346 students represents a 34.1 percent increase over the prior year. Efforts to improve retention, such as an aggressive marketing plan to recruit qualified students and enhanced intervention to assist academic success, will help assure this positive trend.

FINANCIAL SECTION

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2005

	University	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 287,246	\$ 12,400,308
Investments	22,488,885	
Accounts and Pledges Receivable, Net	357,463	1,983,021
Interest and Dividends Receivable	99,395	121,174
Contracts and Grants Receivable	1,800,041	
Due from State	31,744,866	2,631,921
Loans and Notes Receivable, Net	36,698	
Total Current Assets	56,814,594	17,136,424
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	12,053,046	
Investments		493,323
Restricted Investments	3,009,574	28,176,473
Accounts and Pledges Receivable, Net		1,991,950
Deferred Charges	7,571	
Due from State	5,000,000	100,000
Other Real Estate		581,788
Building, Equipment, and Other Depreciable Capital Assets, Net	158,403,933	3,533,441
Nondepreciable Capital Assets	42,398,701	
Total Noncurrent Assets	220,872,825	34,876,975
TOTAL ASSETS	\$ 277,687,419	\$ 52,013,399
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,597,605	\$ 130,296
Construction Contracts Payable	2,105,232	
Salaries and Wages Payable	1,868,898	
Deposits Payable	360,706	
Long-Term Liabilities - Current Portion:		
Bonds Payable	983,810	
Capital Leases Payable	520,639	
Compensated Absences Payable	254,549	
Deferred Revenue	8,401,768	55,994
Gift Annuities Payable		28,240
Total Current Liabilities	18,093,207	214,530

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2005

	University	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 62,768,660	\$
Capital Leases Payable	968,433	
Compensated Absences Payable	4,290,968	
Deferred Revenue	5,000,000	25,976
Loans Payable	50,001	
Due to Others		180,646
Gift Annuities Payable		171,095
Total Noncurrent Liabilities	73,078,062	377,717
Total Liabilities	91,171,269	592,247
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	149,827,768	3,533,441
Restricted:		
Nonexpendable:		
Endowment		25,784,577
Expendable:		
Debt Service	1,000,000	
Loans	234,808	
Capital Projects	18,648,501	
Other Restricted Net Assets	5,311,479	21,317,545
Unrestricted	11,493,594	785,589
Total Net Assets	186,516,150	51,421,152
TOTAL LIABILITIES AND NET ASSETS	\$ 277,687,419	\$ 52,013,399

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2005

	University	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$5,474,206	\$ 15,862,203	\$
Federal Grants and Contracts	6,687,526	
State and Local Grants and Contracts	2,955,340	
Nongovernmental Grants and Contracts	4,768,046	
Sales and Services of Auxiliary Enterprises	11,707,457	
Other Operating Revenues	383,800	
Gifts and Donations		10,551,601
Rental Income and Other		1,115,721
	42,364,372	11,667,322
Total Operating Revenues		
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	55,299,369	
Services and Supplies	17,807,753	
Utilities and Communications	3,306,888	
Scholarships and Fellowships	6,026,142	441,779
Depreciation	6,774,729	13,326
General and Administrative		1,169,783
University Support		2,475,305
Program Services		4,095,198
	89,214,881	8,195,391
Total Operating Expenses		
Operating Income (Loss)	(46,850,509)	3,471,931
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	37,209,164	
Investment Income	1,039,240	1,456,890
Interest on Asset - Related Debt	(1,151,243)	(157,469)
Federal and State Student Financial Aid	7,176,592	
Other Nonoperating Expenses	(155,794)	
Net Appreciation in Investments		535,230
	44,117,959	1,834,651
Net Nonoperating Revenues		
Income (Loss) Before Other Revenues and Transfers	(2,732,550)	5,306,582
Capital Grants, Contracts, and Donations	199,931	701,865
State Appropriations - Fixed Capital Outlay	5,077,941	
Transfers from Component Unit/Primary Government	80,514	171,550
	2,625,836	6,179,997
Increase in Net Assets		
Net Assets, Beginning of Year	183,890,314	45,241,155
Net Assets, End of Year	\$ 186,516,150	\$ 51,421,152

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2005

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees	\$ 15,814,722
Grants and Contracts	13,711,374
Sales and Services of Auxiliary Enterprises	11,707,663
Other Operating Receipts	13,613,223
Payments to and on behalf of Employees	(54,249,431)
Payments to Suppliers for Goods and Services	(20,469,630)
Payments to and on behalf of Students for Scholarships and Fellowships	(6,026,143)
Net Loans Issued to Students	8,852
	(25,889,370)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	37,209,164
Federal and State Student Financial Aid	7,176,592
Other Receipts	24,288
	44,410,044
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	14,013,303
State Appropriations - Fixed Capital Outlay	5,077,941
Purchase or Construction of Capital Assets	(21,623,193)
Capital Subsidies and Transfers	(6,233,233)
Interest Paid on Asset Related Debt	(1,149,670)
Principal Paid on Capital Debt	(334,592)
	(10,249,444)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net Change in Investments	(2,812,617)
Investment Income	933,120
	(1,879,497)
Net Increase in Cash and Cash Equivalents	6,391,733
Cash and Cash Equivalents, Beginning of Year	5,948,559
Cash and Cash Equivalents, End of Year	\$ 12,340,292

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2005

	University
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (46,850,509)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,774,729
Accounts Receivable	(147,650)
Contracts and Grants Receivable	(699,538)
Loans and Notes Receivable	8,851
Accounts Payable	645,011
Salaries and Wages	528,230
Deposits Payable	(71,970)
Compensated Absences Payable	521,708
Deferred Revenue	13,401,768
NET CASH USED BY OPERATING ACTIVITIES	\$ (25,889,370)

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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, and is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the State's 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 State's Board of Education is responsible for overseeing kindergarten through graduate school education in the State. The State's 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 Florida law, State Board of Education rules, and Board of Governors rules. The Trustees select the University President and the State Board of Education ratifies the candidate selected. 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 for the University.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. Application of these criteria determines 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 activity is reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Based on the application of the criteria for determining component units, the Florida Gulf Coast University Financing Corporation (Corporation) is included within the University reporting entity as a blended component unit. The Corporation was incorporated on April 11, 2003, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is a direct-support organization of the University. The Corporation was established to receive, hold, invest, and administer property and to make expenditures for the exclusive benefit of the University. Due to the substantial economic relationship between the Corporation and the University, the financial activities of the Corporation are included in the University's financial statements.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Florida Gulf Coast University Foundation, Inc. (Foundation), is included within the University reporting entity as a discretely presented component unit. The Foundation was incorporated on April 29, 1993, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is a direct-support organization of the University. Its purpose is to encourage, solicit, collect, receive, and administer gifts and bequests of property and funds for scientific, educational, and charitable purposes, all for the advancement of the University and its objectives. An annual audit of the Foundation is conducted by independent certified public accounts and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Foundation, including copies of audit reports, is available by contacting the University Controller's office.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide 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 (presented using the direct method in compliance with GASB Statement No. 9)
 - Notes to Financial Statements

The University is a component unit of the State of Florida for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's Comprehensive Annual Financial Report.

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

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

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.

Interdepartmental transactions of auxiliary service departments have been accounted for as reductions of expenses and 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 plant assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income, and capital asset funding. Interest on capital asset-related debt is a nonoperating expense.

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

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds held by a trustee for the Florida Gulf Coast University Financing Corporation (Corporation). Cash deposits in demand accounts are held in banks qualified as a public

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

depository in accordance with Chapter 280, Florida Statutes. 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. Funds held by the trustee for the Corporation are held in cash or mutual funds. Cash and cash equivalents of the Foundation (discrete component unit) consist of bank deposits of which \$202,726 is insured by the Federal depository insurance and the remainder is uninsured. Cash and cash equivalents and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital or other restricted assets are classified as restricted.

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

- Buildings – 35 to 50 years
- Infrastructure and Other Improvements – 15 to 50 years
- Equipment Under Capital Lease – 8 to 10 years
- Furniture and Equipment:
 - Equipment (Other Than Movable) – 10 to 25 years
 - Computer Equipment – 3 to 6 years
 - Moveable Equipment - 5 to 20 years
- Library Resources – 10 years
- Works of Art – 20 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds and revenue certificates payable, loans payable, capital leases payable, and compensated absences payable that are not scheduled to be paid within the next fiscal year, and deferred revenue. Bonds and revenue certificates payable are reported

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

net of unamortized premium or discount. The University amortizes bond premiums and discounts over the life of the bonds and revenue certificates using the straight-line method.

2. REPORTING CHANGES

In prior fiscal years, moneys received for Federal student financial aid relating to the Pell Grant and Supplemental Educational Opportunity Grant programs were reported as operating revenues on the statement of revenues, expenses, and changes in net assets. However, pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, moneys received under these programs represent nonexchange transactions that should be reported as nonoperating revenues. Accordingly, for the 2004-05 fiscal year, the University began reporting moneys received under these programs as nonoperating revenues on the statement of revenues, expenses, and changes in net assets.

In prior fiscal years, moneys received and disbursed from the Florida Department of Education for the Bright Futures Scholarship and Florida Public Student Assistance Grant programs were accounted for in the Agency Fund and, as such, revenues and expenses of these programs were not reported on the statement of revenue, expenses, and changes in net assets. However, pursuant to GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, moneys received and disbursed under these programs should be reported as revenues and expenses because the University has “administrative involvement” in these programs. Accordingly, for the 2004-05 fiscal year, the University began reporting revenues and expenses for these programs. Pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, moneys received under these programs represent nonexchange transactions and, as such, are reported as nonoperating revenues on the statement of revenues, expenses, and changes in net assets.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds awaiting clearing with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University’s Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

At June 30, 2005, University investments consisted of excess funds in a State Treasury Special Purpose Investment Account (SPIA). The University's investment in the SPIA investment pool represents ownership of a share of the pool, not the underlying securities. The University's investments in the pool are reported at fair value. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 2.22 years at June 30, 2005. The University has no policy for managing interest rate risk or credit risk for this investment pool, but relies on policies developed by the State Treasury. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments

Investments held by the University's component unit (Foundation) at June 30, 2005, are reported at fair value as follows:

<u>Investment Type</u>	<u>Component Unit</u>
U.S. Government and Federal Agency Obligations	\$ 1,442,368
Bonds, Notes, and Other Debt Securities	4,784,478
Stocks and Other Equity Securities	16,592,373
Certificates of Deposit	4,200,000
Money Market Mutual Funds	<u>1,650,577</u>
Total Component Unit Investments	<u>\$ 28,669,796</u>

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

Interest Rate Risk: The Foundation's investment policy, as a means of managing its exposure to fair-value losses arising from increasing interest rates, has established a target for the duration of its fixed income

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

portfolio of between 3 and 7 years. The Foundation's investments in debt securities at June 30, 2005, are reported at fair value as follows:

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
U.S. Government and Federal Obligations	\$ 1,442,368	\$ 743,767	\$ 274,465	\$ 168,026	\$ 256,110
Bonds, Notes, and Other Debt Securities	4,784,478	156,039	2,545,522	1,163,571	919,346
Total	\$ 6,226,846	\$ 899,806	\$ 2,819,987	\$ 1,331,597	\$ 1,175,456

Credit Risk: As required by the Foundation's investment policy, all corporate bond issues are rated "BAA" or "BBB" or better by Moody's or Standard & Poor's rating services, respectively.

Custodial Credit Risk: The Foundation utilizes the services of seven investment managers. All investments except for certificates of deposit are held by the investment managers and are uninsured and unregistered, with securities held by the counter-party's trust department or agent in the Foundation's name. The Foundation has three long-term certificates of deposit with local financial institutions totaling \$4,200,000. Each long-term certificate of deposit is insured by the FDIC up to \$100,000 with the remainder uninsured and uncollateralized. The Foundation's money market mutual funds totaling \$1,650,577 at June 30, 2005, are not exposed to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form. There were no losses during the period due to default by counter-parties to investment transactions.

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

4. ACCOUNTS RECEIVABLES

Accounts receivable represent amounts (net of estimated uncollectibles) for student tuition and fees and various student services provided by the University. An estimate of uncollectible accounts receivable of \$228,381 was calculated by aging the accounts and considering any account over 240 days old as uncollectible at June 30, 2005.

In prior years, the estimate considered any account over 180 days old as uncollectible. However, student accounts over 180 days old are sent to a collection agency and, based upon the University's experience with

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

the results of its collection efforts, an allowance for accounts over 240 days old is more representative of uncollectible accounts receivable.

5. DUE FROM STATE

This is the amount of Public Education Capital Outlay and Alec P. Courtelis Capital Facility Matching Trust Fund allocations due to the University for construction of University facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 26,023,068	\$	\$	\$ 26,023,068
Construction in Progress	13,116,553	11,697,447	8,707,323	16,106,677
Works of Art and Historical Treasures	132,206	136,750		268,956
Total Nondepreciable Capital Assets	\$ 39,271,827	\$ 11,834,197	\$ 8,707,323	\$ 42,398,701
Depreciable Capital Assets:				
Buildings	\$ 126,639,734	\$ 17,576,978	\$ 153,066	144,063,646
Infrastructure and Other Improvements	13,265,969	60,876		13,326,845
Furniture and Equipment	20,255,910	2,678,859	1,179,938	21,754,831
Property Under Capital Lease	841,915	1,093,000		1,934,915
Library Resources	8,131,205	17,173		8,148,378
Works of Art and Historical Treasure	3,038			3,038
Other Capital Assets	871,552	183,940	7,398	1,048,094
Total Depreciable Capital Assets	170,009,323	21,610,826	1,340,402	190,279,747
Less, Accumulated Depreciation:				
Buildings	8,330,967	2,872,542	87,539	11,115,970
Infrastructure and Other Improvements	2,063,104	493,783		2,556,887
Furniture and Equipment	11,141,602	2,332,803	1,143,496	12,330,909
Property Under Capital Lease	56,128	85,829		141,957
Library Resources	4,308,435	817,403		5,125,838
Works of Art and Historical Treasure	203	152		355
Other Capital Assets	439,079	172,217	7,398	603,898
Total Accumulated Depreciation	26,339,518	6,774,729	1,238,433	31,875,814
Total Depreciable Capital Assets, Net	\$ 143,669,805	\$ 14,836,097	\$ 101,969	\$ 158,403,933

7. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2005, include bonds, loans, capital leases, compensated absences, and deferred revenue. Long-term liabilities activity for the fiscal year ended June 30, 2005, is shown below:

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 49,831,411	\$ 14,000,000	\$ 78,941	\$ 63,752,470	\$ 983,810
Loans Payable		50,001		50,001	
Capital Leases Payable	650,149	1,093,000	254,077	1,489,072	520,639
Compensated Absences	4,023,810	521,708		4,545,517	254,549
Deferred Revenue		13,401,768		13,401,768	8,401,768
Total Long-Term Liabilities	\$ 54,505,370	\$ 29,066,477	\$ 333,018	\$ 83,238,828	\$ 10,160,766

Bonds Payable. Bonds payable consists of outstanding revenue certificates and capital improvement revenue bonds.

Revenue certificates were issued to construct a Child Care Center, North Lake Recreation Center, and Athletic Playfields. These certificates, which include both term and serial bonds, are secured by a pledge of various student fee assessments. The building and capital improvement fees collected as a part of tuition are used to retire these certificates. Revenue certificates payable at June 30, 2005, are shown in the following table:

Certificate Series	Amount of Original Issue	Total Retired Including Unamortized Discount	<u>Amount Outstanding</u>		Interest Rates (Percent)	Annual Maturity To
			Principal	Interest		
1997	\$ 431,327	\$ (97,480)	\$ 333,847	\$ 187,360	5.00 - 6.00	2022
1998	1,853,632	(355,939)	1,497,693	755,180	4.00 - 5.00	2023
2001	466,935	(46,005)	420,930	250,888	4.00 - 5.00	2026
Total	\$ 2,751,894	\$ (499,424)	\$ 2,252,470	\$ 1,193,428		

Principal and interest requirements on the revenue certificates as of June 30, 2005, are presented in the following table:

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 83,810	\$ 107,897	\$ 191,707
2007	86,981	104,411	191,392
2008	89,970	100,784	190,754
2009	93,076	96,954	190,030
2010	96,621	92,401	189,022
2011-2015	554,978	388,630	943,608
2016-2020	707,468	237,691	945,159
2021-2025	537,571	63,196	600,767
2026	30,821	1,464	32,285
Subtotal	2,281,296	1,193,428	3,474,724
Less, Bond Discount	<u>(28,826)</u>		<u>(28,826)</u>
Total	<u><u>\$ 2,252,470</u></u>	<u><u>\$ 1,193,428</u></u>	<u><u>\$ 3,445,898</u></u>

On December 10, 2003, Florida Gulf Coast University Financing Corporation (Financing Corporation) issued Capital Improvement Revenue Bonds, Series 2003 (Revenue Bonds) in the amount of \$47,500,000. The proceeds derived from the sale of the revenue bonds were used to: (1) finance the acquisition, construction, and equipping of a new 28 bed apartment style student residence (Phase VI) and (2) redeem the outstanding principal for the Certificates of Participation, Series 2000, 2002, and 2002A totaling \$38,500,000. All of these bonds are outstanding as of June 30, 2005.

On February 16, 2005, the Financing Corporation issued Capital Improvement Revenue bonds, Series 2005A, in the amount of \$8,000,000, and Capital Improvement Revenue Bonds, Series 2005B, in the amount of \$6,000,000. The proceeds derived from the sales of the Series 2005A Revenue Bonds were used to finance the construction and equipping of a new 288 bed apartment style student residence (Phase VII), and the proceeds of the Series 2005B Revenue Bonds were used to finance the construction and equipping of a 500 space parking garage (Phase I).

The University has entered into a Master Ground and Operating Lease Agreement with the Financing Corporation. The University leases land to the Financing Corporation for a rental fee of \$1 per year. The land covered by the ground lease together with the improvements thereon is leased back to the University to manage and operate. The master lease will terminate on the later of December 1, 2033, or the date on which the Revenue Bonds and any related obligations are paid in full. Revenue from the student residence facilities is pledged to pay rent to the Financing Corporation or its assignees equal to the debt service on the Revenue Bonds.

FLORIDA GULF COAST UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2005

Principal and interest payments requirements on the Capital Improvement Revenue Bonds outstanding as of June 30, 2005, are presented in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 900,000	\$ 1,470,200	\$ 2,370,200
2007	1,100,000	1,446,516	2,546,516
2008	1,300,000	1,416,675	2,716,675
2009	1,300,000	1,385,175	2,685,175
2010	1,300,000	1,353,675	2,653,675
2011-2015	7,700,000	6,225,891	13,925,891
2016-2020	9,100,000	5,200,667	14,300,667
2021-2025	11,300,000	3,951,758	15,251,758
2026-2030	13,700,000	2,435,909	16,135,909
2031-2035	13,800,000	637,100	14,437,100
Total	<u>\$ 61,500,000</u>	<u>\$ 25,523,566</u>	<u>\$ 87,023,566</u>

To protect against the potential of rising interest rates, three separate pay-fixed, receive-variable interest rate swap agreements were previously entered into by the Florida Gulf Coast University Foundation and were assumed by the Financing Corporation with the issuance of the revenue bonds. The swap agreements are not associated with specific identifiable bonds but instead are associated with all of the Financing Corporation's outstanding revenue bonds. The Financing Corporation pays monthly the variable-rate interest on the revenue bonds, and pays a counterparty the swap interest (fixed-rate less variable-rate) on a quarterly basis. Information regarding the two remaining swap agreements is shown below:

<u>Amount</u>	<u>Effective Date</u>	<u>Termination Date</u>	<u>Fixed Rate</u>
\$ 5,000,000	07-01-02	07-01-07	3.364%
<u>10,000,000</u>	11-01-02	11-01-09	3.485%
<u>\$ 15,000,000</u>			

The variable rate is determined monthly by the remarketing agent. As of June 30, 2005, the variable rate was 2.4 percent.

The required swap payment obligations transferred to the Financing Corporation is secured solely by the student residence facilities revenues. Based on the interest rates as of June 30, 2005, the amounts of the outstanding swaps obligation as of June 30, 2005, are shown on the following table:

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<u>Fiscal Year Ending June 30</u>	<u>Interest</u>
2006	\$ 156,700
2007	156,700
2008	108,500
2009	108,500
2010	<u>36,167</u>
Total	<u><u>\$ 566,567</u></u>

The interest expense incurred during the fiscal year ended June 30, 2005, was \$1,341,421, of which \$253,482 was capitalized as part of the construction in progress.

Because interest rates declined, the swaps had a cumulative negative fair value of \$217,264 as of June 30, 2005. The fair value was obtained from a financial institution known to be an active participant in this market. The swaps will continue to have a negative fair value as long as the variable rates are less than the fixed rates. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases.

As of June 30, 2005, the University was not exposed to credit risk on any of its outstanding swaps because the swaps had negative fair values. However, should interest rates change and the fair value of the swaps become positive, the University would be exposed to credit risk in the amount of the derivative's fair value.

The Financing Corporation or the counter party may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any of the swaps are terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swaps have a negative fair value, the Financing Corporation would be liable to the counter party for a payment equal to the swap's fair value. Termination of a swap agreement may also result in the University making or receiving a termination payment.

Loan Payable. On June 30, 2005, the Financing Corporation entered into a Tax Exempt Note, Series 2005, in the amount of \$5,000,000. The Financing Corporation's initial draw of \$50,001 reflects the outstanding balance of the loan at June 30, 2005. The following is a schedule of future minimum payments of the loan payable at June 30, 2005:

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<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$	\$ 2,089	\$ 2,089
2007		2,089	2,089
2008		2,089	2,089
2009		2,089	2,089
2010	50,001	2,089	52,090
Total	<u>\$ 50,001</u>	<u>\$ 10,445</u>	<u>\$ 60,446</u>

Interest accrues based on the variable-rate of 4.178 percent at June 30, 2005.

Capital Lease Payable. The University entered into an energy savings contract in July 2003 and acquired equipment under a capital lease agreement. The stated interest rate is 4.3 percent. The University also entered into a capital lease for science equipment in December 2004. The imputed interest rate is 7 percent. Principal and interest requirements on the capital leases outstanding as June 30, 2005, are presented in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2006	\$ 547,560
2007	389,877
2008	42,570
2009	63,871
2010	86,000
2011-2015	458,540
2016-2020	93,580
Total Minimum Payments	1,681,998
Less, Amount Representing Interest	<u>192,926</u>
Present Value of Minimum Payments	<u>\$ 1,489,072</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 Rule 6C-5.920, Florida Administrative Code, and pursuant to bargaining agreements with the United Faculty of Florida. 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. Consequently, the recording of the liability for compensated absences, without the corresponding recognition of such

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future resources, results in the appearance of a reduced ability to meet current obligations. At June 30, 2005, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and Social Security contributions, totaled \$4,545,517. The current portion of the compensated absences liability is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

Deferred Revenue. Deferred revenue, both current and noncurrent, represents appropriations from the Alec P. Courtelis Capital Facilities Matching Trust Fund for which approval has not been received from the Florida Department of Education to encumber or spend the funds.

8. STATE RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the University are covered by the Florida Retirement System, a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions 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 plan eligibility, contributions, and benefits are defined and described in detail. Participating employers include all State departments, counties, district school boards, community colleges, and universities. Many municipalities and special districts have elected to be participating employers. Essentially, all regular employees of participating employers are eligible to enroll as members of the Plan.

The Florida Legislature reduced the vesting period of the Plan from 10 to 6 years of service effective July 1, 2001. Any member employed in a regularly established position as of July 1, 2001, with a total of 6 or more years of creditable service is considered vested. Former members who were not employed with a participating Plan employer on July 1, 2001, must return to covered employment for one year to become eligible for the six-year vesting provision. An exception to this one-year requirement applies to former members who are within one year of vesting under the pre-2001 vesting requirements. These members will only be required to work the lesser of one year or the amount of time it would have taken to vest in their class of membership prior to July 1, 2001. All 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, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

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A Deferred Retirement Option Program (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 a Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund, and accrue interest. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

The Plan's financial statements and other supplemental information 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 Plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

The State of Florida establishes contribution rates for Plan members. Contribution rates during the 2004-05 fiscal year are presented below:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Special Risk	0.00	18.53
Florida Retirement System, Senior Management Services	0.00	9.37
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include .08 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The University's liability for participation in the Plan 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 to the Plan (none from employees) for the fiscal years ended June 30, 2003, June 30, 2004, and June 30, 2005, totaled \$661,132, \$940,752, and \$1,073,348, respectively, which were equal to the required contributions for each fiscal year.

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State University System Optional Retirement Program. Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid universities in recruiting employees by offering more portability to employees not expected to remain in the Florida Retirement System 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 Florida Retirement System, 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. A small amount remains in the Optional Retirement Program Trust Fund for 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 salary deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account.

There were 389 University participants during the 2004-05 fiscal year. Required contributions made to the Program totaled \$3,222,668, including \$993,880 from employee contributions.

Public Employee Optional Retirement Program. Pursuant to Section 121.4501, Florida Statutes, the Florida Legislature created a Public Employee Optional Retirement Program (PEORP), also known as the Florida Retirement System (FRS) Investment Program. The PEORP is a defined contribution plan, sponsored by the State of Florida, available as an option to the FRS defined benefit plan, and is self-directed by the employee. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. A retirement account is established for each employee who selects this option and an employer contribution is directed to the individual account. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave the Florida Retirement System. With each pay period, the University contributes a percentage (same as the FRS rate) of the participating employees' earnings to an annuity plan. Pension benefits are determined by the dollars in the account at the time of retirement.

There were 30 University participants during the 2004-05 fiscal year. Required contributions made to the PEORP totaled \$181,916.

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9. POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2004-05 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in note 8.

Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2004-05 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

10. CONSTRUCTION COMMITMENTS

The University's major construction commitments at June 30, 2005, are as follows:

Project Number	Project Name	Current Commitment	Expenses	Commitment Balance
BR 1024	Academic V	\$ 7,980,417	\$ 3,051,111	\$ 4,929,306
BR 1025	Library Expansion	16,217,389	3,693,905	12,523,484
BR 1033	Kleist Health Education Center	522,266	336,988	185,278
BR 1035	Roads/Park/Infrastructure	2,643,193	1,929,852	713,341
BR 1039	Campus Master Plan	280,174	46,772	233,402
BR 1041	Infrastructure	3,078,663	1,201,617	1,877,046
N/A	Student Housing - Phase VII	8,000,000	5,502,560	2,497,440
Total		\$ 38,722,102	\$ 15,762,805	\$ 22,959,297

11. OPERATING LEASE COMMITMENTS

The University has long-term commitments for assets leased under operating lease agreements. 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, and are reported in the statement of revenues, expenses, and changes in net assets. Future minimum lease commitments for operating leases as of June 30, 2005, are as follows:

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Fiscal Year Ending June 30	Total Operating Leases	Equipment Operating Lease	Building Operating Lease
2006	\$ 382,939	\$ 247,806	\$ 135,133
2007	376,735	247,806	128,929
2008	20,719		20,719
Total	\$ 780,393	\$ 495,612	\$ 284,781

12. RISK MANAGEMENT PROGRAMS

Pursuant to Section 1001.72(3), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2004-05 fiscal year, the State retained the first \$2,000,000 of losses for each occurrence with an annual aggregate retention of \$40,000,000 for wind and flood and \$5,000,000 for perils other than wind and flood. Losses in excess of \$2,000,000 per occurrence were commercially insured up to \$85,000,000 for wind, \$50,000,000 for flood, and \$200,000,000 for perils other than wind and flood; and losses exceeding those amounts were retained by the State. 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. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care 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.

13. LITIGATION

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

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14. 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:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 28,334,543
Research	1,912,085
Public Service	3,749,236
Academic Support	10,348,736
Student Services	4,674,101
Institutional Support	13,062,921
Operations of Plant	4,498,053
Scholarships	6,026,143
Auxiliary Enterprises	9,831,137
Depreciation	6,774,729
Loan Operations	<u>3,197</u>
Total Operating Expenses	<u><u>\$ 89,214,881</u></u>

15. SEGMENT INFORMATION

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

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Condensed Statement of Net Assets

	Student Housing Facilities	Parking Facilities
	<u> </u>	<u> </u>
Assets		
Current Assets	\$ 12,810,902	\$ 6,961,468
Noncurrent Assets	<u>50,280,734</u>	<u>94,303</u>
Total Assets	<u>63,091,636</u>	<u>7,055,771</u>
Liabilities		
Current Liabilities	2,747,092	33,062
Noncurrent Liabilities	<u>54,694,791</u>	<u>6,010,088</u>
Total Liabilities	<u>57,441,883</u>	<u>6,043,150</u>
Total Net Assets	<u><u>\$ 5,649,753</u></u>	<u><u>\$ 1,012,621</u></u>

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

	Student Housing Facilities	Parking Facilities
	<u> </u>	<u> </u>
Operating Revenues	\$ 7,045,599	\$ 886,710
Operating Expenses	<u>6,289,644</u>	<u>416,086</u>
Operating Income	755,955	470,624
Nonoperating Revenue		589,735
Nonoperating Expenses	<u>(169,489)</u>	<u>(47,738)</u>
Net Increase in Net Assets	586,466	1,012,621
Net Assets, Beginning of Year	<u>5,063,287</u>	<u> </u>
Net Assets, End of Year	<u><u>\$ 5,649,753</u></u>	<u><u>\$ 1,012,621</u></u>

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Condensed Statement of Cash Flows

	Student Housing Facilities	Parking Facilities
	<u> </u>	<u> </u>
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,454,639	\$ 1,021,409
Noncapital Financing Activities	(2,866,814)	(1,021,388)
Capital and Related Financing Activities	(1,234,127)	6,515,906
Investing Activities	<u>(3,000,672)</u>	<u>(589,735)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(646,974)	5,926,192
Cash and Cash Equivalents, Beginning of Year	<u>5,509,869</u>	<u> </u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 4,862,895</u></u>	<u><u>\$ 5,926,192</u></u>