

**Florida Agricultural and Mechanical University
Board of Trustees**

A Financial Statement Audit Report
For the Fiscal Year Ended June 30, 2002



WILLIAM O. MONROE, CPA

During the audit period, the President of the University was Dr. Frederick S. Humphries. Dr. Henry Lewis, III, was interim President from January 1, 2002, to June 30, 2002. Dr. Fred Gainous became President effective July 1, 2002. The Board members who served during the audit period are listed below:

Board Members

Lt. Gen. Julius W. Becton, Jr.
Dr. Regina Benjamin
Dr. Castell V. Bryant
Wilbert Bryant to 11-1-01
Dr. James Corbin from 6-7-02
Arthur Collins, Chairman
Andrew Gillum to 4-27-02 (1)
Andre Hammel from 5-1-02 (1)
Randall Hanna
Reverend R. B. Holmes, Jr.
Catherine Hughes to 5-20-02
William Jennings
Joe Lacher to 7-31-01
Marta Prado
Norma White

Note: (1) The student body president, who is a voting member of the Board in accordance with Section 229.003(4), Florida Statutes.

AUDITOR GENERAL

The Auditor General provides independent, unbiased, timely, and relevant information to the Legislature, entity management, and the citizens of the State of Florida which can be used to improve the operations and accountability of public entities.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

BOARD OF TRUSTEES

Table of Contents

EXECUTIVE SUMMARY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

COMPLIANCE

INTERNAL CONTROL OVER FINANCIAL REPORTING

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL STATEMENTS

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Statement of Cash Flows

Notes to Financial Statements

EXECUTIVE SUMMARY

The audit of the financial statements of the Board of Trustees of the Florida Agricultural and Mechanical University for the fiscal year ended June 30, 2002, was conducted pursuant to the provisions of Section 11.45, Florida Statutes.

The scope of this audit included an examination of the financial statements of the Florida Agricultural and Mechanical 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 grants that are material to the financial statements. An examination of Federal awards administered by the Florida Agricultural and Mechanical 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 Florida Agricultural and Mechanical University:

- We found that the financial statements presented fairly, in all material respects, the financial position of the Florida Agricultural and Mechanical University and of its discretely presented component units as of June 30, 2002; the revenues, expenses, and changes in net assets; and the cash flows for the fiscal year then ended.
- The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
- We noted no matters involving the University's internal control over financial reporting and its operation that we considered to be material weaknesses.

This audit was conducted by E. Sugene Garrison, CPA, and supervised by Alan Sands, CPA. Please address inquiries regarding this report to James E. Raulerson, CPA, Audit Manager, via e-mail at jimraulerson@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 the 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, 2002, as shown on pages 10 through 32. 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 units, as described in note 1 to the financial statements, which comprises 100 percent of the transactions and account balances of the aggregate discretely presented component units column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon 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 opinions, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Florida Agricultural and Mechanical University and of its aggregate discretely presented component units as of June 30, 2002, 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 described in note 1 to the financial statements, the University adopted Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis - for Public Colleges and Universities*, and related pronouncements as of and for the fiscal year ended June 30, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Florida Agricultural and Mechanical University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grants included under the heading **INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The **MANAGEMENT’S DISCUSSION AND ANALYSIS** on pages 5 through 9 is not a required part of the financial statements, but is supplementary information required by the accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Respectfully submitted,


William O. Monroe, CPA
January 30, 2003



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 COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the Florida Agricultural and Mechanical University, a component unit of the State of Florida, as of and for the fiscal year ended June 30, 2002, 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 reports of other auditors.

Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

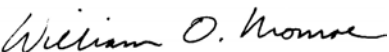
Internal Control Over Financial Reporting

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 opinion on the financial statements and not to provide assurance on the University's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the

internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 30, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis section of the financial statements introduces an analytical overview of Florida Agricultural and Mechanical University's financial activities for the fiscal year ended June 30, 2002. The discussion and analysis should be read in conjunction with the University financial statements and notes thereto and contains the activity of one year.

The University's accounting policies conform with generally accepted accounting principles applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. GASB Statement No. 35 allows public colleges and universities the option of reporting as a special-purpose government either engaged in only business-type activities, engaged in only governmental activities, or engaged in both governmental and business-type activities. The universities of the State University System (SUS), including Florida Agricultural and Mechanical University, elected to report as entities engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting. The financial statements are comprised of the following:

- 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 the Financial Statements

FINANCIAL HIGHLIGHTS

These financial statements represent the University's fiscal activities for the fiscal year ended June 30, 2002.

The Statement of Net Assets

This statement reports the financial and capital resources of the University at the end of the fiscal year. The assets and liabilities are shown in order of their relative liquidity. The net assets are the total assets less the associated liabilities. Over a period of time, the increase and decrease in the net assets represent the improvement or deterioration in the University's financial condition. The total net assets for the University were \$337,012,553 as of June 30, 2002. A condensed statement of net assets for the University and its component units is presented on the following page:

Net Assets, June 30 (In Thousands)		
	University 2002	Component Units 2001
Assets		
Current Assets	\$ 130,118	\$ 6,201
Capital Assets, Net	265,028	15
Other Noncurrent Assets	12,252	60,347
Total Assets	407,398	66,563
Liabilities		
Current Liabilities	30,597	507
Noncurrent Liabilities	39,788	97
Total Liabilities	70,385	604
Net Assets		
Invested in Capital Assets, Net of Related Debt	236,342	15
Restricted	89,146	64,417
Unrestricted	11,525	1,527
Total Net Assets	\$ 337,013	\$ 65,959

The capital assets, net of accumulated depreciation, include buildings, land, infrastructure and other improvements, furniture and equipment, library resources, and construction in progress.

The unrestricted net assets reported at June 30, 2002, of \$11,525,301 would have been \$24,465,261 had liabilities for compensated absences not been applied against it. Long-term liabilities consist of bonds and installment payments totaling \$27,583,243. Long-term liabilities also include the compensated absences liability of \$12,204,970.

The Statement of Revenues, Expenses, and Changes in Net Assets

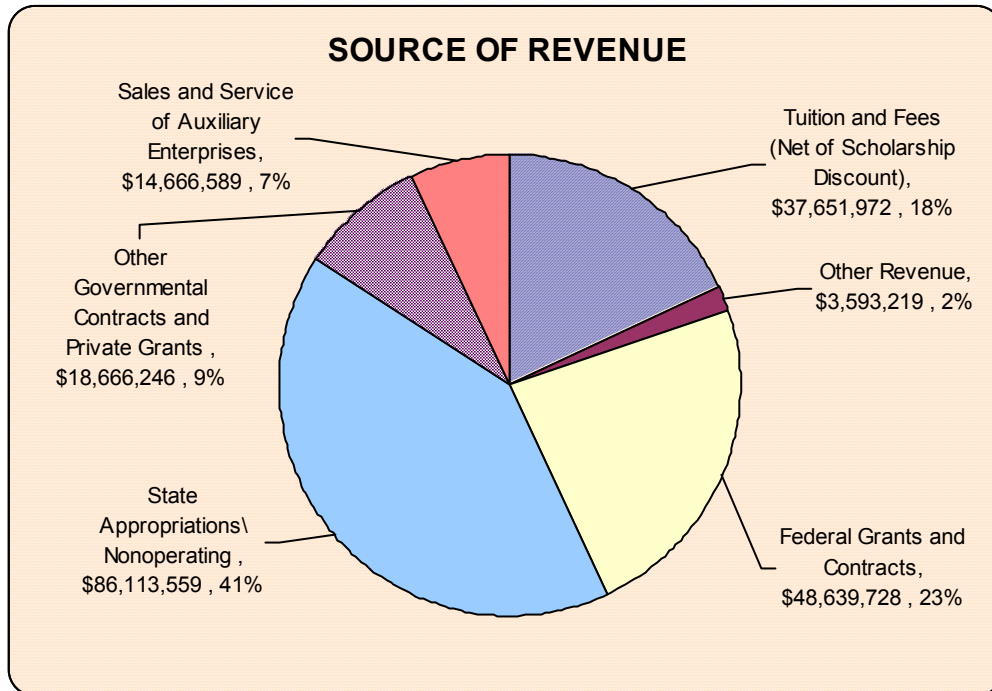
This statement is the operating statement of the University and as such reports all revenue and expense of the University for the fiscal year. Revenues are reported by major sources and are net of discounts and allowances, which are reported parenthetically. The statement distinguishes between operating and nonoperating revenues and expenses.

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 plus administration, operating, and maintenance of plant assets, and depreciation of capital assets. Nonoperating revenues include State appropriation, investment income, and capital funding. Interest on asset-related debts is a nonoperating expense.

A summary of revenues and expenses of the University and its component units is presented on the following page:

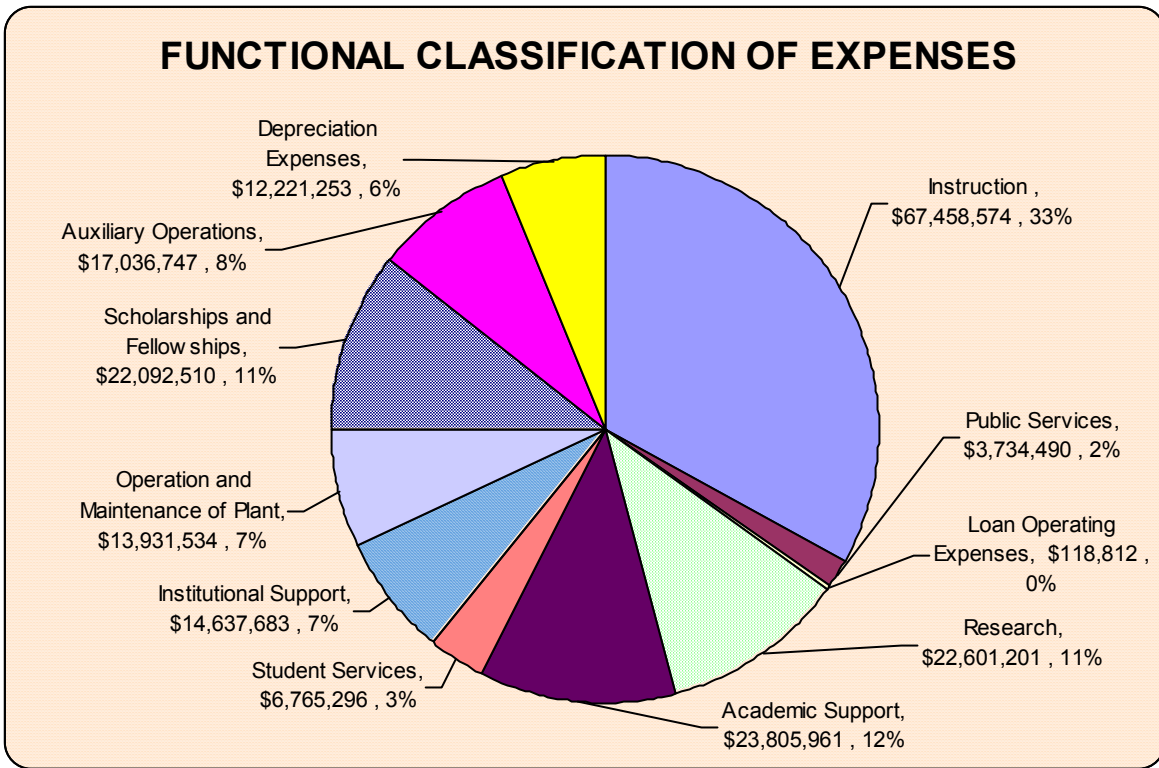
Operating Results (In Thousands)		
	University 2001-02	Component Units 2000-01
Operating Revenues	\$ 121,127	\$ 12,726
Less Operating Expenses	204,404	11,036
Net Operating Income (Loss)	(83,277)	1,690
Nonoperating Revenues (Expenses)	85,704	(2,900)
Income (Loss) Before Other Revenues Expenses, Gains, or Losses	2,427	(1,210)
Capital Appropriations	21,230	
Capital Grants, Contracts, and Donations	1,682	
Other	218	
Increase (Decrease) in Net Assets	25,557	(1,210)
Restated Net Assets, Beginning of Year	311,456	67,169
Net Assets, End of Year	\$ 337,013	\$ 65,959

Revenues used for University operations for the 2001-02 fiscal year were \$209,331,313, net of scholarship discounting of \$16,295,705. The sources of revenue are as follows:



The other revenue includes \$1,273,519 of investment income. The Federal grants and contracts do not include revenue received for the Federal Direct Loan Program. Activity of this program is considered an Agency type activity.

The total operating expenses were \$204,404,061 for the fiscal year ended June 30, 2002. The functional classification of these expenses is presented on the following page:



The scholarships and fellowships expenses do not include the Federal Direct Loan Program expense of \$39,605,946 which was an Agency type activity. Also, the scholarships and fellowships reduce the expenses by \$16,295,705 to account for tuition and scholarship allowances.

The major source of revenue for the University is the State appropriation which represents 41.1 percent of the total revenue. In the 2001-02 fiscal year, the State encountered a revenue shortfall which resulted in a reduction in the State appropriation of approximately \$5.6 million.

This is the first time the University has recognized depreciation expense. The University adjusted its beginning fund balances for accumulated depreciation in the amount of \$110,715,945, and reported depreciation expense for the 2001-02 fiscal year in the amount of \$12,221,253.

The Statement of Cash Flows

The purpose of the statement of cash flows is to provide relevant information about the cash receipts and cash payments of the University during the fiscal year. The statement reports the cash effects during the fiscal year of the University operations, its noncapital financing transactions, its capital and related financing transactions, and its investing transactions.

The major source of receipts from operating activity consists of grants and contracts, tuition and fees, and auxiliary operations. The major source of expenses consists of payments to employees, payments for goods and services, and payments to students for scholarships. The State appropriation is the main source of revenue considered as nonoperating.

Capital appropriation and purchase or construction of capital assets include construction of various capital projects such as the Pharmacy and Pharmaceutical Research Center, Journalism Building, FAMU Law School, Expansion of Ware-Rhoney Building, and other projects.

The statement of cash flows helps to determine the ability of the University to meet its obligations with existing resources (receipts). A summary of the University's cash flows for the fiscal year ended June 30, 2002, is presented below:

Cash Flows for the Year (In Thousands)	
	<u>University</u>
Cash Provided (Used) by:	
Operating Activities	\$ (70,566)
Noncapital Financing Activities	84,435
Capital and Related Financing Activities	(13,697)
Investing Activities	<u>(7,168)</u>
Net Increase (Decrease) in Cash	(6,996)
Cash and Cash Equivalents, Beginning of Year	<u>22,374</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 15,378</u></u>

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

As noted, the University's major source of revenue is the State appropriations, approximately 41 percent. Therefore, the economic condition of the University is closely tied to the economic condition of the State of Florida. A healthy economy for the State of Florida brings forth a favorable economic condition for the University.

FINANCIAL STATEMENTS

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2002

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 14,406,663.16	\$ 861,842.00
Pooled Investments with State Treasury	14,846,308.23	
Receivables, Net	12,621,812.70	5,318,324.00
Loans and Notes Receivable, Net		20,492.00
Due from Primary Government	87,776,774.80	
Inventories	466,121.07	
	<hr/>	<hr/>
Total Current Assets	130,117,679.96	6,200,658.00
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	971,397.10	
Restricted Investments with State Treasury	8,943,579.84	
Restricted Investments		60,347,361.00
Loans and Notes Receivable, Net	2,310,286.49	
Other Noncurrent Assets	27,555.05	
Buildings, Equipment, and Other Depreciable Capital Assets, Net	234,007,498.68	14,909.00
Land and Other Nondepreciable Capital Assets	31,019,975.17	
	<hr/>	<hr/>
Total Noncurrent Assets	277,280,292.33	60,362,270.00
	<hr/>	<hr/>
TOTAL ASSETS	\$ 407,397,972.29	\$ 66,562,928.00
LIABILITIES		
Current Liabilities:		
Accounts Payable and Other Liabilities	\$ 12,044,418.31	\$ 505,906.00
Due to Primary Government	34,189.86	
Deferred Revenues	16,670,592.52	1,330.00
Current Compensated Absences Liability	734,989.73	
Current Installment Purchases	237,888.79	
Current Bonds Payable	875,125.22	
	<hr/>	<hr/>
Total Current Liabilities	30,597,204.43	507,236.00
Noncurrent Liabilities:		
Bonds Payable	27,080,686.86	
Compensated Absences Liability	12,204,970.56	
Installment Purchases	502,556.67	
Other Noncurrent Liabilities		97,121.00
	<hr/>	<hr/>
Total Noncurrent Liabilities	39,788,214.09	97,121.00
	<hr/>	<hr/>
TOTAL LIABILITIES	70,385,418.52	604,357.00

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2002

	University	Component Units
NET ASSETS		
Invested In Capital Assets, Net of Related Debt	\$ 236,341,771.36	\$ 14,909.00
Restricted for:		
Nonexpendable:		
Other Restricted		49,589,628.00
Expendable:		
Debt Service	185,717.09	
Loans	3,552,962.69	
Capital Projects	73,551,789.41	
Other Restricted	11,855,012.14	14,827,347.00
Unrestricted	11,525,301.08	1,526,687.00
Total Net Assets	337,012,553.77	65,958,571.00
TOTAL LIABILITIES AND NET ASSETS	\$ 407,397,972.29	\$ 66,562,928.00

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

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2002

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$16,295,705	\$ 37,651,972.30	\$
Federal Grants and Contracts	48,639,728.36	
State and Local Grants and Contracts	7,019,879.24	
Nongovernmental Grants and Contracts	11,646,367.34	5,256,758.00
Sales and Services of Auxiliary Enterprises	14,666,588.89	
Interest on Loans Receivable	77,609.57	
Other Operating Revenue	1,424,852.43	7,469,158.00
Total Operating Revenue	121,126,998.13	12,725,916.00
EXPENSES		
Operating Expenses:		
Personal Services	128,917,062.60	94,718.00
Contractual Expenses	8,656,592.11	
Utilities	7,181,581.20	8,651.00
Materials and Supplies	6,177,517.56	41,831.00
Repairs and Maintenance	1,848,778.26	
Scholarships and Fellowships	22,092,509.72	4,749,289.00
Depreciation Expense	12,221,253.23	340.00
Loan Cancellation and Receivable Write-offs	53,003.39	
Other Operating Expenses	17,255,763.06	6,141,665.00
Total Operating Expenses	204,404,061.13	11,036,494.00
Operating Income (Loss)	(83,277,063.00)	1,689,422.00
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	86,113,559.00	
Investment Income (Loss), Net	1,273,518.76	(2,900,146.00)
Other Nonoperating Revenue	817,239.17	
Interest on Asset-Related Debt	(1,719,104.47)	
Other Nonoperating Expenses	(781,151.65)	
Total Nonoperating Revenues (Expenses)	85,704,060.81	(2,900,146.00)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	2,426,997.81	(1,210,724.00)
Capital Appropriations	21,229,571.00	
Capital Grants, Contracts, and Donations	1,682,201.56	
Transfers From Primary Government	218,257.88	
Total Revenues	23,130,030.44	
Increase (Decrease) in Net Assets	25,557,028.25	(1,210,724.00)
Restated Net Assets, Beginning of Year	311,455,525.52	67,155,428.00
Adjustments to Restated Beginning Net Assets	13,867.00	13,867.00
Adjusted Restated Net Assets, Beginning of Year	311,455,525.52	67,169,295.00
Net Assets, End of Year	\$ 337,012,553.77	\$ 65,958,571.00

The accompanying notes to the 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, 2002

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 37,946,520.29
Grants and Contracts	67,586,281.89
Sales and Services of Auxiliary Enterprises	14,182,759.95
Interest on Loans Receivable	65,486.67
Other Operating Receipts	1,547,266.57
Payments to Employees	(129,293,894.51)
Payments to Suppliers for Goods and Services	(23,244,725.27)
Payments to Students for Scholarships and Fellowships	(22,092,509.72)
Loans Issued to Students	4,435.11
Other Operating Expenses	(17,267,107.09)
	Net Cash Provided from Operations
	(70,565,486.11)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	86,113,559.00
Federal Direct Loan Receipts	39,605,946.49
Federal Direct Loan Disbursements	(39,605,946.49)
Operating Subsidies and Transfers	(2,281,369.51)
Funds Held for Others	526,657.85
Other Receipts	493,429.17
Other Expenses	(417,637.69)
	Net Cash Provided by Noncapital Financing Activities
	84,434,638.82
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	21,229,571.00
Capital Grants and Contracts	2,095,000.00
Capital Subsidies and Transfers	1,537,598.41
Other Receipts for Capital Projects	323,810.00
Purchase or Construction of Capital Assets	(36,347,988.97)
Principal Paid on Capital Debt and Lease	(834,122.79)
Interest Paid on Asset Related Debt and Lease	(1,700,898.41)
	Net Cash Used by Capital and Related Financing Activities
	(13,697,030.76)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(8,441,530.55)
Investment Income	1,273,844.65
	Net Cash Used by Investing Activities
	(7,167,685.90)
Net Decrease in Cash and Cash Equivalents	(6,995,563.95)
Cash and Cash Equivalents, Beginning of Year	22,373,624.21
Cash and Cash Equivalents, End of Year	\$ 15,378,060.26

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2002

	University
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (83,277,063.00)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	12,221,253.23
Change in Assets and Liabilities:	
Accounts Receivable	90,062.28
Contracts and Grants Receivable	280,306.95
Interest Receivable	(12,122.90)
Inventories	41,613.36
Loans and Notes Receivable	57,438.50
Accounts Payable	566,786.47
Accrued Salaries and Wages	422,545.04
Compensated Absences Liability	(799,376.95)
Deferred Revenues	(156,929.09)
	\$ (70,565,486.11)
NET CASH USED BY OPERATING ACTIVITIES	

The accompanying notes to the 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, 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. In prior fiscal years, Florida's public universities were governed by a Board of Regents, and their financial activities were reported in the State of Florida's financial statements as part of the primary government. Effective July 1, 2001, the Legislature amended Section 229.003, Florida Statutes, abolishing the Board of Regents and transferring its operations to the Florida Board of Education, which is responsible for overseeing kindergarten through graduate studies education. In addition, the Statute provided for separate boards of trustees appointed by the Governor for each university. Although the University is part of the State University System regulated and coordinated by the Florida Board of Education, effective July 1, 2001, it became a separate public instrumentality.

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. 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, effective July 1, 2001, the University became a component unit of the State of Florida.

The governing body of the University is its Board of Trustees. The Board constitutes a body corporate composed of twelve (12) members appointed by the Governor and one student member. The Board of Trustees is under the general direction and control of the Commissioner of Education, the Chancellor of the Division of Colleges and Universities, and is governed by Florida law and rules of the Florida Board of Education. By statute, the Board of Trustees selects the University President and the Florida Board of Education must ratify the candidate selected. The University Board of Trustees adopts University rules and procedures, and plans for future needs of the University. The University President is responsible for the management of the University, and has the ultimate responsibility for administering the policies prescribed by the Board of Trustees.

Component Units. Based on the application of the criteria for determining component units, the following organizations are included within the University Board of Trustees' reporting entity as discretely presented component units:

- Florida Agricultural and Mechanical University Foundation, Inc.: This organization is constituted legally with a Board of Directors and an Executive Director 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 for excellence."
- Florida Agricultural and Mechanical University National Alumni Association: This organization is constituted legally to provide funds to foster scholarships and enhance the image of the University through positive public relation and community service.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

- Florida Agricultural and Mechanical University Booster Club, Inc.: This organization is constituted legally to provide contributions to the University to stimulate the education, health, and physical welfare of the students.

Information on the University's Foundation and National Alumni Association, including copies of audit reports, is available by contacting Florida A&M University Public Relations, 203 Lee Hall, Tallahassee, Florida 32307, or at (850) 599-3860. Information for the Booster Club is available by contacting the Athletic Director, at (850) 599-3868. These component units' financial statements are discretely presented in the University Board of Trustees' financial statements. Additional condensed financial statements for the University's component units are included in a subsequent note.

These component units are also direct-support organizations, as provided in Section 240.299, Florida Statutes. These are separate, not-for-profit corporations organized and operated exclusively to help the University 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. An independent certified public accountant conducts an annual postaudit of each organization's financial statements. The audited financial statements are submitted to the Auditor General and the Board of Trustees for review.

Basis of Presentation. The University's accounting policies conform with generally accepted accounting principles applicable to colleges and universities as prescribed by the Governmental Accounting Standard Board (GASB). The National Association of College and University Business Officers (NACUBO) also provide the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. GASB Statement No. 35 allows public colleges and universities the option of reporting as a special-purpose government either engaged in only business-type activities, engaged in only governmental activities, or engaged in both governmental and business-type activities. The universities of the State University System (SUS), including Florida A&M University elected to report as entities 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
 - Notes to Financial Statements

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

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. Auxiliary Service Departments account for interdepartmental transactions. The transactions are recorded as reductions of expenditures but not as revenues for 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 plus administration, operation and maintenance of plant assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, investment income and capital funding. Interest on asset-related debts is a non-operating expense.

The University follows Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

The statement of net assets is presented in a classified format to distinguish between current and long-term assets and liabilities. When both restricted and unrestricted resources are available to fund specific programs, grants, etc., it is the University's policy to apply the restricted resources to such programs first, 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 discounts and allowances. Tuition scholarship discounts and 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 discounts and allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

The statement of cash flows is presented using the direct method and is in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-expendable Trust Funds*.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

2. CASH AND CASH EQUIVALENTS

The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, unexpended general revenue appropriation releases, and cash placed with the Florida State Treasury. Banks qualified as public depositories under Florida Law hold cash deposits of the University. All such deposits are insured by Federal depository insurance or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

3. INVESTMENTS

The University participates in investment pools through the State Treasury and the State Board of Administration in accordance with the provisions of Sections 18.125 and 215.49, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes. The University's investments in these pools are reported at market value.

Generally accepted accounting principles require the classification of credit risk of investments into the following three categories:

- Risk Category 1 – Insured or registered, or securities held by the entity or its agent in the entity's name.
- Risk Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Risk Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

Certain investments, such as investment pools managed by other entities, cannot be categorized because the investments are not evidenced by specific, identifiable investment securities. The investments of the University fall into this type of investment class.

Investments of the University's component units at June 30 are shown on the following page:

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

	I n v e s t m e n t s			Fair Value
	Risk Category			
	1	2	3	
<u>Component Units</u>				
Certificates of Deposit	\$ 700,000	\$	\$	\$ 700,000
Bonds and Notes	18,130,294			18,130,294
Stocks	33,304,066			33,304,066
Total	\$ 52,134,360	\$	\$	
Money Market and Mutual Funds				7,661,571
Real Estate Agreements				551,430
Total Component Unit Investments				\$ 60,347,361

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student fee deferments, various student services provided by the University, various auxiliary services provided to students and third parties, and grant reimbursements due from third parties.

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

Allowance for Uncollectible Receivables. Allowances totaling \$5,521,893 for uncollectible accounts and loans and notes receivable are reported based upon management's best estimate as of fiscal year-end considering type, age, collection history, and any other factors considered appropriate. The following receivables were approved for write-off:

Returned Checks	\$ 37,186
Student Receivables	898,183
Total	\$ 935,369

5. DUE FROM PRIMARY GOVERNMENT

This amount represents unexpended cash balances in various State trust funds and Public Education Capital Outlay allocations for University construction projects due the University at June 30, 2002.

6. INVENTORIES

Inventories are recorded by the following methods:

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

<u>Inventory</u>	<u>Method</u>
Auxiliaries	Last Invoice Cost, Which Approximates First In-First Out
Physical Plant	Last Invoice Cost, Which Approximates First In-First Out
Central Store	Moving Average

7. CAPITAL ASSETS

University capital assets consist of land, buildings, infrastructure and other improvements, furniture and equipment, assets under installment purchase contracts, library resources, works of art and historical treasures, and construction in progress. These assets are capitalized and recorded at cost at the date of acquisition or at appraised value at the date received in the case of gifts. 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 capitalized threshold of \$1,000 for all movable equipment items and \$50,000 threshold for building renovations and improvements. Depreciation is computed on the straight-line basis over the estimated useful life of the related assets. The following estimated useful lives are used to determine depreciation expense:

- Buildings / Improvements – 20 to 50 Years, Depending on Construction
- Infrastructure and Other Improvements – 12 to 50 Years
- Leasehold Improvement – 5 to 20 Years or the Term of Lease, Whichever is Greater
- Furniture and Equipment:
 - Equipment (non-Office) – 10 to 20 Years
 - Computer Equipment – 3 to 7 Years
 - Moveable Equipment – 3 to 20 Years
- Library Resources – 10 Years

Capital asset activity for the year ended June 30, 2002, is shown on the following page:

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 4,003,999	\$ 140,228	\$	\$ 4,144,227
Construction in Progress	29,929,640	27,061,947	30,115,839	26,875,748
Total Nondepreciable Capital Assets	\$ 33,933,639	\$ 27,202,175	\$ 30,115,839	\$ 31,019,975
Depreciable Capital Assets:				
Buildings	\$ 221,238,259	\$ 11,965,206	\$	\$ 233,203,465
Infrastructure and Other Improvements	9,607,631	18,008,902		27,616,533
Furniture and Equipment	59,690,144	5,530,248	2,324,427	62,895,965
Library Resources	28,144,904	2,538,794		30,683,698
Other Capital Assets	584,293	40,267	130,293	494,267
Total Depreciable Assets	319,265,231	38,083,417	2,454,720	354,893,928
Less Accumulated Depreciation:				
Buildings	54,183,406	5,144,661		59,328,067
Infrastructure and Other Improvements	4,174,261	226,070		4,400,331
Furniture and Equipment	35,824,835	5,719,919	1,922,401	39,622,353
Library Resources	16,164,225	1,063,987		17,228,212
Other Capital Assets	369,218	66,616	128,368	307,466
Total Accumulated Depreciation	110,715,945	12,221,253	2,050,769	120,886,429
Total Depreciable Capital Assets, Net	\$ 208,549,286	\$ 25,862,164	\$ 403,951	\$ 234,007,499

8. CONSTRUCTION COMMITMENTS

A summary of the University's major construction commitments (estimated cost of \$1 million or more) remaining at June 30, 2002, is shown on the following page:

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

Project No.		Estimated Commitment	Completed to Date	Balance Committed
BR304	Carnegie Library Remodeling	\$ 3,540,116	\$ 51,959	\$ 3,488,157
BR306	School of Business and Industry - W. Wing	10,446,588	8,397,243	2,049,345
BR309A	Utilities/Infrastructure/Capital Renewal	1,549,381	34,537	1,514,844
BR314	Pharmacy and Pharmaceutical Research	20,100,722	5,019,882	15,080,840
BR318A	Expansion of Coleman Library	8,835,500	796,081	8,039,419
BR321	Land Acquisition	1,500,000	30,160	1,469,840
BR322	Campus Electrical Upgrades	5,076,011	228,839	4,847,172
BR330	Expansion of Ware-Rhaney Building	11,918,919	6,211,075	5,707,844
BR345A	Recreational Center	8,529,352	39,249	8,490,103
BR346A	Critical Deferred Maintenance	1,169,466	942,934	226,532
BR347A	Journalism Building	17,359,983	668,595	16,691,388
BR351	Utilities/Infrastructure/Capital Renewal	1,600,000	803,310	796,690
BR357	Critical Deferred Maintenance	1,216,361	93,181	1,123,180
BR358	Utilities/Infrastructure/Capital Renewal	4,748,619	1,566,889	3,181,730
BR399	FAMU Law School Building	4,331,551	31,710	4,299,841
Total		\$ 101,922,569	\$ 24,915,644	\$ 77,006,925

9. 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, public employee 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 and must enroll as member of the Plan.

The Florida Legislature has reduced the vesting period from 10 to 6 years of service. Any member employed in a regularly established position on (as of) July 1, 2001, with a total of 6 or more years of creditable service will be considered vested. Former members who are not employed with a 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

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

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.

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 payment 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 the participation election date. During DROP participation, the deferred monthly benefit accruing on behalf of the participant, plus interest compounded monthly, is held in the Florida Retirement System Trust Fund. 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 comprehensive annual financial report of the State of Florida, which is available from the State of Florida, Department of Financial Services in Tallahassee, Florida. An annual report on the Plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, is available from the State of Florida, Division of Retirement in Tallahassee, Florida.

The State of Florida establishes contribution rates for Plan members. During the 2001-02 fiscal year, contribution rates for the major retirement classes at the University were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.30
Florida Retirement System, Senior Management Service	0.00	9.28
Florida Retirement System, Special Risk	0.00	18.44
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	12.67
Florida Retirement System, Reemployed Retiree	(B)	(B)
Notes:	(A) Employer rates include the post-employment health insurance supplement of 1.11 percent. See note 10.	
	(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 (including employee contributions) for the fiscal years ended June 30, 2000, June 30, 2001, and June 30, 2002, totaled \$9,548,491, \$9,797,547, and \$9,459,704, respectively, which was equal to the required contributions each fiscal year.

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

State University System Optional Retirement Program. Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program (ORP) for eligible State University System faculty and administrators. The program, which became effective July 1, 1984, was expanded in 1988 to include the State University System Executive Service. The Program is designed to aid the University System in recruiting employees by offering more portability to employees not expected to remain in the Florida Retirement System for six or more years.

The Optional Retirement 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 Optional Retirement 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 percentage of the participant's salary. A portion of the total contribution remains in the Optional Retirement Program Trust Fund for program 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 reduction an amount not to exceed the percentage contributed by the University to his annuity account.

There were 675 University participants during the 2001-02 fiscal year. Required contributions made to the Optional Retirement Program totaled \$5,196,135 including \$1,655,340 from employee contributions.

10. POSTEMPLOYMENT BENEFITS

With 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 2001-02 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.

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 2001-02 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 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.

11. LONG-TERM LIABILITIES

Long-term liabilities of the University include bonds, installment purchases, and compensated absences. The long-term liability activity for the fiscal year ended June 30, 2002, is shown on the following page:

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and Installment Purchases:					
Bonds Payable	\$ 28,771,729	\$	\$ 815,917	27,955,812	\$ 875,125
Installment Purchase Contracts	2,307,027	575,470	2,142,052	740,445	237,889
Other Liabilities:					
Compensated Absences Payable	13,739,337	79,029	878,406	12,939,960	734,990
Total Long-Term Liabilities	\$ 44,818,093	\$ 654,499	\$ 3,836,375	\$ 41,636,217	\$ 1,848,004

Bonds Payable. The former Board of Regents and currently the Florida Board of Education issue both term and serial revenue bonds on behalf of the State University System, the proceeds of which were used to acquire and construct various University capital projects. The bonds are secured and payable from the State University System Capital Improvement and Building Fees. The Florida Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements. The State Board of Administration administers the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements for bonds issued locally by the University. Bonds payable at June 30, 2002, were as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State University System Revenue Certificates:			
Series 1991	\$ 10,047	6.5	2003
Series 1993	581,387	4.8 - 5.375	2013
Series 1997	1,979,834	5.0 - 7.0	2022
Series 1997-A	1,214,645	4.10 - 5.0	2016
Local Revenue Certificates:			
1992 Student Apartment	6,251,333	6.375 - 6.5	2023
1996 Student Apartment	10,108,123	5.1 - 6.75	2025
1997 Student Services Center	5,343,267	4.1 - 5.4	2017
1997 Parking Facility	2,467,176	3.9 - 5.3	2018
Total Bonds Payable	\$ 27,955,812		

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

Annual requirements to amortize all bonded debt outstanding as of June 30, 2002, are as follows:

Fiscal Year Ending June 30	State University System and Local Revenue Certificates		
	Principal	Interest	Total
2003	\$ 875,125	\$ 1,585,762	\$ 2,460,887
2004	920,314	1,537,011	2,457,325
2005	966,584	1,485,493	2,452,077
2006	1,023,461	1,432,455	2,455,916
2007	1,081,671	1,375,973	2,457,644
2008-2012	6,458,270	5,955,320	12,413,590
2013-2017	8,144,151	3,987,065	12,131,216
2018-2022	6,060,336	1,884,092	7,944,428
2023-2025	2,740,000	287,856	3,027,856
Less Bond Discount	(314,100)		(314,100)
Total	\$ 27,955,812	\$ 19,531,027	\$ 47,486,839

Installment Purchase Contracts. The University has acquired the following classes of property under installment purchases:

	Asset Balance
Machinery and Equipment	\$ 1,656,529
Buildings/Modulars	174,765
Total	\$ 1,831,294

Future minimum payments remaining under installment purchase contracts and the minimum payments as of June 30, 2002, are as follows:

Fiscal Year Ending June 30	Amount
2003	\$ 270,707
2004	228,997
2005	176,905
2006	122,967
2007	10,759
Total Minimum Payments	810,335
Amount Representing Interest	(69,890)
Present Value of Minimum Payments	\$ 740,445

Compensated Absences. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.920, Florida Administrative Code, and pursuant to bargaining agreements between the Florida Board of Education and the United Faculty of Florida. Leave

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. GASB Statement No.16 requires that the University accrue a liability in the statement of net assets for employees' right to receive compensation for future absences when certain conditions are met, whereas 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 future resources results in the appearance of a reduced ability to meet current obligations. At June 30, 2002, the estimated liability for annual and sick leave, which includes the University's share of the Florida Retirement System and FICA contributions, is \$7,889,591.89 and \$5,050,368.40, respectively. Net assets reported at June 30 of \$337,012,553.77 would have been \$349,952,514.06 had such liability for compensated absences not been applied against it. The current compensated absences liability is based on payouts over the last three years, calculated as a percentage of those year's total compensated absences liability.

12. OPERATING LEASE COMMITMENTS

The University has long-term commitments for assets leased under operating leases. These assets are not recorded on the statement of net assets; however, the operating lease payments are recorded as expenses in the statement of revenues, expenses, and changes in net assets when paid or incurred. As of June 30, 2002, future minimum lease commitments for noncancelable operating leases, with remaining lease terms in excess of one year, were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2003	\$ 429,896
2004	260,991
2005	259,622
2006	256,320
2007	144,180
2008-2012	320,400
2013-2017	21,360
Total Minimum Payments Required	<u><u>\$ 1,692,769</u></u>

13. FUNCTIONAL DISTRIBUTION OF EXPENSES

The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classification. Below are those same expenses presented in functional classifications as recommended by NACUBO. The functional classification (instruction, research, public services, etc.) is assigned to a department based on the nature or the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

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, the proper classification of all departmental expenses is instruction.

A summary of the functional classification of expenses is as follows:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 67,458,574
Research	22,601,201
Public Services	3,734,490
Academic Support	23,805,961
Student Services	6,765,296
Institutional Support	14,637,683
Operations and Maintenance of Plant	13,931,535
Scholarship and Fellowships	22,092,510
Auxiliary Operations	<u>17,036,747</u>
Total	192,063,997
Depreciation Expenses	12,221,253
Loan Operating Expenses	<u>118,811</u>
Total Operating Expenses	<u><u>\$ 204,404,061</u></u>

14. ACCOUNTING CHANGES FOR THE NEW REPORTING MODEL

In connection with the University's implementation of GASB Statements Nos. 34 and 35, the University made adjustments to beginning fund balances to report the cumulative effect of this reporting change and other changes to implement these Statements, as shown below:

	<u>Amount</u>
Accumulated Depreciation Prior Years	\$ (110,715,945)
Fund Balances, Beginning of Year	<u>422,171,471</u>
Restated Net Assets, Beginning of Year	<u><u>\$ 311,455,526</u></u>

15. RISK MANAGEMENT PROGRAMS

In accordance with a program for central insurance purchases adopted by the Florida Cabinet in 1969, the Department of Management Services has the authority to purchase insurance on behalf of all state agencies. This authority is the result of the enactment of Section 287.022, Florida Statutes. Other actions by the Legislature have resulted in the development of State self-insurance funds providing hazard insurance for property and casualty insurance, for state employees' workers' compensation, general liability, and fleet automotive liability. The University participates in these programs. Property losses in excess of \$4 million are commercially insured up to \$300 million per loss event. Payments on tort claims

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

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 State agency. 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.

University employees may obtain health care services through participation in the State of Florida's 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 the risks 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 risks of losses covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Division of State Group Insurance in the Department of Management Services.

16. COMPONENT UNITS

Summary financial information from the most recently available audited financial statements of direct support organizations of the University, as mentioned in the summary of significant accounting policies, is shown as follows:

CONDENSED STATEMENTS OF NET ASSETS				
	Foundation 12-31-01	Alumni Association 12-31-01	Booster Club 6-30-01	Total
Assets				
Other Current Assets	\$ 5,496,680	\$ 675,546	\$ 28,432	\$ 6,200,658
Capital Assets, Net	13,889		1,020	14,909
Other Noncurrent Assets	60,347,361			60,347,361
Total Assets	65,857,930	675,546	29,452	66,562,928
Liabilities				
Other Current Liabilities	491,877	4,019	11,340	507,236
Noncurrent Liabilities	97,121			97,121
Total Liabilities	588,998	4,019	11,340	604,357
Net Assets				
Restricted	63,995,323	421,652		64,416,975
Unrestricted	1,273,609	249,875	18,112	1,541,596
Total Net Assets	\$ 65,268,932	\$ 671,527	\$ 18,112	\$ 65,958,571

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS				
	Foundation 2001	Alumni Association 2001	Booster Club 2000-01	Total
Operating Revenues	\$ 12,205,513	\$ 337,901	\$ 182,502	\$ 12,725,916
Depreciation Expense			340	340
Other Operating Expenses	<u>10,438,916</u>	<u>410,129</u>	<u>187,109</u>	<u>11,036,154</u>
Operating Income (Loss)	<u>1,766,597</u>	<u>(72,228)</u>	<u>(4,947)</u>	<u>1,689,422</u>
Nonoperating Revenues (Expenses)				
Investment Income (Loss)	<u>(2,930,672)</u>	<u>30,440</u>	<u>86</u>	<u>(2,900,146)</u>
Change in Net Assets	(1,164,075)	(41,788)	(4,861)	(1,210,724)
Beginning Net Assets	66,433,007	699,448	22,973	67,155,428
Adjustment to Beginning Net Assets		<u>13,867</u>		<u>13,867</u>
ENDING NET ASSETS	<u><u>\$ 65,268,932</u></u>	<u><u>\$ 671,527</u></u>	<u><u>\$ 18,112</u></u>	<u><u>\$ 65,958,571</u></u>

17. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) for which one or more bonds or other debt instruments (such as revenue certificates) are outstanding. A segment has a revenue stream pledged in support of revenue bonds or other revenue-backed debt and has related revenues, expenses, gains, losses, assets, and liabilities that are required to be accounted for separately. The requirement for separate reporting should be imposed by a third party (i.e., accounting and reporting set forth in bond indentures). The types of activities provided by segments include housing, parking, and student services. The following is condensed financial information for the 2001-02 fiscal year for the segments:

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

CONDENSED STATEMENT OF NET ASSETS			
June 30, 2002			
	Housing	Parking	Student Services
ASSETS			
Current Assets	\$ 2,740,465	\$ 687,997	\$ 1,586,141
Noncurrent Assets	1,925,736	208,093	317,901
Capital Assets	23,128,975	2,756,174	8,349,160
Total Assets	27,795,176	3,652,264	10,253,202
LIABILITIES			
Current Liabilities	1,247,810	163,480	313,411
Noncurrent Liabilities	16,224,031	2,487,774	5,234,003
Total Liabilities	17,471,841	2,651,254	5,547,414
NET ASSETS			
Restricted	1,925,736	175,006	223,735
Unrestricted	1,629,570	573,426	1,505,897
Invested in Capital Assets, Net of Related Debt	6,768,029	252,578	2,976,156
Total Net Assets	\$ 10,323,335	\$ 1,001,010	\$ 4,705,788

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
For the Fiscal Year Ended June 30, 2002			
	Housing	Parking	Student Services
Operating Revenues	\$ 8,823,867	\$ 1,559,354	\$ 1,797,468
Depreciation Expense	(1,146,754)	(67,120)	(327,267)
Other Operating Expenses	(6,034,084)	(1,094,699)	(815,995)
Operating Income	1,643,029	397,535	654,206
Nonoperating Revenues (Expenses):			
Investment Income	154,431	4,079	6,354
Interest Expense	(1,020,464)	(130,357)	(300,910)
Nonoperating Expense	(307,313)	(1,426)	(3,116)
Change in Net Assets	469,683	269,831	356,534
Beginning Net Assets	9,853,652	731,179	4,349,254
ENDING NET ASSETS	\$ 10,323,335	\$ 1,001,010	\$ 4,705,788

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2002

CONDENSED STATEMENT OF CASH FLOWS			
For the Fiscal Year Ended June 30, 2002			
	Housing	Parking	Student Services
Net Cash Provided (Used) by:			
Operating Activities	\$ 2,623,871	\$ 605,979	\$ 1,207,480
Noncapital Financing Activities	(298,385)		
Capital and Related Financing Activities	(1,526,301)	(272,475)	(1,203,693)
Investing Activities	(622,700)	(2,172)	(4,629)
Net Increase (Decrease) in Cash and Cash Equivalents	176,485	331,332	(842)
Cash and Cash Equivalents, Beginning of Year	79,171	278,697	1,006,397
Cash and Cash Equivalents, End of Year	\$ 255,656	\$ 610,029	\$ 1,005,555