

**UNIVERSITY OF SOUTH FLORIDA
SARASOTA-MANATEE**

A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2008



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

During the audit period, the President of the University of South Florida was Dr. Judy L. Genshaft. The University of South Florida Sarasota-Manatee Vice President and Campus Executive Officer was Dr. Arthur M. Guilford. The Board members of the University of South Florida Sarasota-Manatee and the Board of Trustee members of the University of South Florida who served during the audit period are listed below:

Sarasota-Manatee Campus Board Members **County**

Cliff Walters, Chair	Manatee
Charles R. Baumann, Vice Chair	Sarasota
Lynette Edwards	Manatee
Elizabeth G. Lindsay	Sarasota
Jan E. Smith	Manatee

University Board of Trustee Members

Rhea F. Law, Chair
John B. Ramil, Vice Chair
Lee E. Arnold, Jr.
Dr. Michael Barber (1)
Richard A. Beard, III, to 1-06-08
Margarita R. Cancio, M.D.
Gene Engle from 1-07-08
Garin Flowers from 9-11-07 to 4-30-08 (2)
Sonja Garcia
Barclay Harless to 9-10-07 (2)
Gregory Morgan from 5-01-08 (2)
Kiran C. Patel, M.D.
Debbie Nye Sembler
Jan E. Smith
Robert L. Soran
Sherrill Tomasino

Notes: (1) Faculty senate chair.
(2) Student body president.

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

The audit team leader was Alma E. Wade, CPA, and the audit was supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

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

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of the University of South Florida Sarasota-Manatee (Regional Campus), a regional campus of the University of South Florida (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether the Regional Campus and its officers with administrative and stewardship responsibilities for Regional Campus operations had:

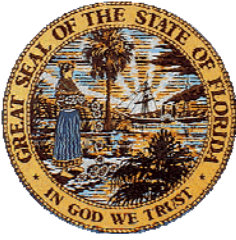
- Presented the Regional Campus's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;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

The scope of this audit included an examination of the Regional Campus's basic financial statements as of and for the fiscal year ended June 30, 2008. We obtained an understanding of the Regional Campus's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the Regional Campus is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent Regional Campus records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of South Florida Sarasota-Manatee (Regional Campus), a regional campus of the University of South Florida (a component unit of the State of Florida), as of and for the fiscal year ended June 30, 2008, which collectively comprise the Regional Campus's basic financial statements as shown on pages 8 through 28. These financial statements are the responsibility of the Regional Campus's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements of the Regional Campus have been prepared for use by the Southern Association of Colleges and Schools, and are intended to present only that portion of the financial position and the changes in financial position and cash flows of only that portion of the University of South Florida that is attributable to the transactions of the Regional Campus. They do not purport to, and do not, present fairly the financial position of the University of South Florida as of June 30, 2008, and the changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Campus as of June 30, 2008, and the changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 7 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,



David W. Martin, CPA
May 11, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) of the University of South Florida Sarasota-Manatee (Regional Campus), a regional campus of the University of South Florida, provides an overview of the financial position and activities of the Regional Campus for the fiscal year ended June 30, 2008, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of Regional Campus management.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the Regional Campus's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements have been prepared for use by the Southern Association of Colleges and Schools, and are intended to present the financial position and the changes in financial position and cash flows that is attributable to the transactions of the Regional Campus.

THE STATEMENT OF NET ASSETS

The statement of net assets presents the assets and liabilities of the Regional Campus, using the accrual basis of accounting, and presents the financial position of the Regional Campus at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the Regional Campus's current financial condition. Assets are what the Regional Campus owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Liabilities are generally considered to be financial obligations of the Regional Campus and may also consist of payments received for service not yet provided (deferred revenue). Both assets and liabilities are classified as either current or noncurrent. This classification is made based on when an asset is expected to be converted to cash or a liability is expected to be paid off. If either of these situations is expected to take place within the upcoming year, then the asset or liability is considered to be current.

Net assets are reported in three major categories. The first category, invested in capital assets, provides the Regional Campus's equity in property, plant, and equipment owned by the Regional Campus. Restricted net assets are another category, which may be further broken down into nonexpendable and expendable. Restricted nonexpendable net assets represent funds that have been donated to the Regional Campus which are required to be invested in perpetuity. These net assets are primarily maintained within the University of South Florida Foundation, Inc., a component unit of the University of South Florida, and are reported in the component unit column of the University of South Florida's financial statements. Restricted expendable net assets are available for use by the Regional Campus, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets

are available to the Regional Campus for any lawful purpose of the Regional Campus. The following summarizes the Regional Campus's assets, liabilities and net assets as of June 30, 2008:

**Condensed Statement of Net Assets
(In Thousands)**

	<u>2008</u>
Assets	
Current	\$ 11,908
Capital Assets, Net	27,402
Other Noncurrent Assets	<u>1,979</u>
Total Assets	<u>41,289</u>
Liabilities	
Current Liabilities	991
Noncurrent Liabilities	<u>751</u>
Total Liabilities	<u>1,742</u>
Net Assets	
Invested in Capital Assets	27,402
Restricted	5,320
Unrestricted	<u>6,825</u>
Total Net Assets	<u><u>\$ 39,547</u></u>

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

Changes in total net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of this statement is to show the operating and nonoperating revenues received by the Regional Campus, the operating and nonoperating expenses paid by the Regional Campus, and any other revenues, expenses, gains and losses received or spent by the Regional Campus.

Generally speaking, operating revenues are considered to be earned in exchange for providing goods and services to students and other customers, and operating expenses are incurred in the normal operation of the Regional Campus. Nonoperating revenues are revenues received for which no goods and services have been provided. For example, State appropriations are nonoperating because they are provided by the Legislature to the Regional Campus without an exchange of goods and services from the Regional Campus. The Regional Campus will normally show an operating loss since these significant recurring revenues (appropriations) will be classified as nonoperating. A more indicative measure of the Regional Campus's financial activity during the year would be the income before other revenues, expenses, gains, or losses. The following summarizes the Regional Campus's activity for the 2007-08 fiscal year:

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

	2008
Operating Revenues	
Student Tuition and Fees, Net	\$ 3,878
Grants and Contracts	313
Sales and Services of Auxiliary Enterprises	559
Total Operating Revenues	4,750
Operating Expenses	
Compensation and Employee Benefits	15,804
Services and Supplies	4,476
Other	3,345
Total Operating Expenses	23,625
Operating Loss	(18,875)
Nonoperating Revenues	
State Appropriations	15,820
Other, Net	1,785
Net Nonoperating Revenues	17,605
Loss Before Other Revenues, Expenses, Gains or Losses	
	(1,270)
Other Revenues, Expenses, Gains, or Losses	3,099
Increase in Net Assets	1,829
Net Assets, Beginning of Year	37,718
Net Assets, End of Year	\$ 39,547

THE STATEMENT OF CASH FLOWS

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

The following summarizes cash flows for the 2007-08 fiscal year:

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

	2008
Cash Provided (Used) by:	
Operating Activities	\$ (18,028)
Noncapital Financing Activities	18,106
Capital and Related Financing Activities	171
Investing Activities	5,118
Net Increase in Cash and Cash Equivalents	5,367
Cash and Cash Equivalents, Beginning of Year	35
Cash and Cash Equivalents, End of Year	\$ 5,402

CAPITAL ASSETS

At June 30, 2008, the Regional Campus had \$29.3 million in capital assets, less accumulated depreciation of \$1.9 million, for net capital assets of \$27.4 million. Depreciation charges for the current fiscal year totaled \$0.7 million. The following table summarizes the Regional Campus's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30
(In Thousands)**

	2008
Land	\$ 510
Buildings	24,185
Construction in Progress	1,404
Furniture and Equipment	949
Library Resources	272
Other Capital Assets	82
Total Capital Assets, Net	\$ 27,402

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

On July 1, 2001, the University of South Florida Sarasota-Manatee (Regional Campus) became fiscally autonomous through an act of the Florida Legislature. Although the recent economic downturn has created reduced State appropriations, the Legislature has authorized tuition increases over the past few years combined with technology fees and distance learning fees which provide additional resources to support a balanced budget and expansion of academic programs and services to support students.

The budget that the Florida Legislature adopted for the State University System for the 2008-09 fiscal year reflected a base budget reduction for the Regional Campus of approximately \$0.8 million. To offset the base budget adjustment, the Legislature allocated approximately \$0.5 million of Educational Enhancement Funding (Lottery Funds). The current economic conditions will result in lower State funding per student. This implies that student tuition and fees gradually will become a larger share of the operating budget. The Regional Campus has examined their operations and has generated savings in both administrative and academic areas.

Regional Campus management is committed to meeting its enrollment growth plan to increase full-time student enrollment from 1,002 in the 2008-09 fiscal year to 1,249 in the 2013-14 fiscal year. The enrollment is expected to grow at a rate of about 5 percent annually over the next five years. In the 2006-07 fiscal year, a new 100,000 square foot academic facility opened which provided the ability to expand course offerings. This significantly improved student access to technology and as a result, allows the Regional Campus to grow and increase tuition revenue. Regional Campus management is also focused on development activities and expects increases in fundraising as well.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to Nick Trivunovich, University Controller, 4202 East Fowler Avenue, Tampa, Florida 33620-5800.

BASIC FINANCIAL STATEMENTS

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2008**

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 5,273,421
Investments	3,357,702
Accounts Receivable, Net	286,536
Loans and Notes Receivable, Net	39,943
Due from State	2,950,000

Total Current Assets	11,907,602
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Noncurrent Assets:

Restricted Cash and Cash Equivalents	128,322
Restricted Investments	1,737,786
Loans and Notes Receivable, Net	113,685
Depreciable Capital Assets, Net	25,487,595
Nondepreciable Capital Assets	1,914,371

Total Noncurrent Assets	29,381,759
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TOTAL ASSETS

\$ 41,289,361

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 344,930
Construction Contracts Payable	11,982
Salaries and Wages Payable	529,463
Deposits Payable	7,202
Deferred Revenue	33,477
Long-Term Liabilities - Current Portion:	
Compensated Absences Payable	63,886

Total Current Liabilities	990,940
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Noncurrent Liabilities:

Compensated Absences Payable	634,603
Postemployment Health Care Benefits Payable	117,094

Total Noncurrent Liabilities	751,697
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TOTAL LIABILITIES

1,742,637

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANTATEE
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2008

NET ASSETS	
Invested in Capital Assets	\$ 27,401,966
Restricted for Expendable:	
Loans	155,399
Capital Projects	4,794,741
Other	369,373
Unrestricted	<u>6,825,245</u>
TOTAL NET ASSETS	<u>39,546,724</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 41,289,361</u>

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

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2008

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$827,960	\$ 3,877,864
Federal Grants and Contracts	70,615
Nongovernmental Grants and Contracts	242,164
Sales and Services of Auxiliary Enterprises	559,389
Total Operating Revenues	4,750,032

EXPENSES

Operating Expenses:

Compensation and Employee Benefits	15,804,097
Services and Supplies	4,476,102
Utilities and Communications	541,324
Scholarships, Fellowships, and Waivers	2,063,102
Depreciation	740,386
Total Operating Expenses	23,625,011
Operating Loss	(18,874,979)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	15,820,098
Federal and State Student Financial Aid	2,253,115
Investment Loss	(32,312)
Other Nonoperating Revenues	3,995
Other Nonoperating Expenses	(439,843)
Net Nonoperating Revenues	17,605,053

Loss Before Other Revenues, Expenses, Gains, or Losses

Loss Before Other Revenues, Expenses, Gains, or Losses	(1,269,926)
Capital Appropriations	1,756,460
Capital Grants, Contracts, Donations, and Fees	258,630
Transfers To/From Other University Campuses, Net	1,083,599

Increase in Net Assets

Increase in Net Assets	1,828,763
Net Assets, Beginning of Year	37,717,961
Net Assets, End of Year	\$ 39,546,724

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

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 3,776,856
Grants and Contracts	180,673
Sales and Services of Auxiliary Enterprises	600,326
Payments to Employees	(15,530,252)
Payments to Suppliers for Goods and Services	(4,788,262)
Payments to Students for Scholarships and Fellowships	(2,063,102)
Net Loans Issued to Students	(153,628)
Other Operating Disbursements	<u>(50,616)</u>
Net Cash Used by Operating Activities	<u>(18,028,005)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	15,820,098
Federal and State Student Financial Aid	2,253,115
Operating Subsidies and Transfers	27,519
Net Change in Funds Held for Others	977
Other Nonoperating Receipts	<u>3,995</u>
Net Cash Provided by Noncapital Financing Activities	<u>18,105,704</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	1,756,460
Capital Grants, Contracts, Donations, and Fees	256,460
Capital Subsidies and Transfers	(198,674)
Purchase or Construction of Capital Assets	<u>(1,643,371)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>170,875</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments, Net	5,064,221
Investment Income	<u>54,017</u>
Net Cash Provided by Investing Activities	<u>5,118,238</u>
Net Increase in Cash and Cash Equivalents	5,366,812
Cash and Cash Equivalents, Beginning of Year	<u>34,931</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 5,401,743</u></u>

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2008

RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (18,874,979)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	740,386
Change in Assets and Liabilities:	
Receivables, Net	(195,051)
Loans and Notes Receivable	(153,628)
Accounts Payable	229,165
Salaries and Wages Payable	138,527
Deposits Payable	(48,844)
Compensated Absences Payable	18,224
Deferred Revenue	1,101
Postemployment Health Care Benefits Payable	117,094
	<u>117,094</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (18,028,005)</u>

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

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Effective July 1, 2001, Chapter 2001-170, Laws of Florida, designated that the Sarasota-Manatee campus of the University of South Florida be established and should be known as the University of South Florida Sarasota-Manatee. The Statute further stated that the University of South Florida Sarasota-Manatee was to be fiscally autonomous, operated and maintained as a separate organizational and budget entity of the University of South Florida (a component unit of the State of Florida), and should have a Campus Board and a Campus Executive Officer. Members of the Campus Board are appointed by the University of South Florida (University) Board of Trustees upon recommendation by the University of South Florida President. One member of the Campus Board serves jointly on the University Board of Trustees. The University of South Florida Sarasota-Manatee (Regional Campus) has a governing board of five members (three residents of Manatee County and two residents of Sarasota County) and is a legal body with specific budget authority over the Regional Campus. Campus Board members serve 4-year staggered terms.

For financial reporting purposes, the Regional Campus is a part of the University of South Florida. Accordingly, the financial statements of the Regional Campus are combined and reported in the financial statements of the University of South Florida for the fiscal year ended June 30, 2008. The financial statements of the Regional Campus have been prepared for use by the Southern Association of Colleges and Schools, and are intended to present the financial position and the changes in financial position and cash flow as of and for the fiscal year ended June 30, 2008, of only that portion of the University of South Florida that is attributable to the transactions of the Regional Campus.

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

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

- 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

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 Regional Campus's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

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

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

The Regional Campus'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 (net of unrealized gains or losses on investments), and revenues for capital construction projects.

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 Regional Campus'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 Regional Campus and the amount that is actually paid by a student or a third party making payment on behalf of the student. The Regional Campus applied "The

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Alternate Method” as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the Regional Campus computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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

Capital Assets. Regional Campus capital assets consist of land; construction in progress; buildings; furniture and equipment; library resources; 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 Regional Campus has a capitalization threshold of \$1,000 for tangible personal property and \$100,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 25 to 40 years, Depending on Construction
- Furniture and Equipment – 5 to 20 years
- Library Resources – 10 years
- Other Capital Assets – 5 to 30 years

Noncurrent Liabilities. Noncurrent liabilities include compensated absences payable and postemployment health care benefits payable that are not scheduled to be paid within the next fiscal year.

2. CASH AND CASH EQUIVALENTS

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

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3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the Regional Campus is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The Regional Campus's investments at June 30, 2008, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Bond Index Mutual Fund	\$ 4,514,905
Money Market Mutual Fund	<u>580,583</u>
Total Regional Campus Investments	<u>\$ 5,095,488</u>

The Regional Campus's investments consisted of various mutual funds. The Regional Campus's investment policy allows investments in pooled funds which are professionally managed and registered with the Securities and Exchange Commission, equities, and fixed-income investments. The following risks apply to the Regional Campus's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Regional Campus's investment policy limits the fixed-income portfolio (United States Treasury securities, United States government agency obligations, mortgage-backed securities, corporate debt, and state and municipal securities investments) to a weighted-average duration of less than five years. The Regional Campus's investment policy provides for interest rate risk. The risk varies depending on the type of investment.

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Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Regional Campus's investment policy provides for credit rate risk. The risk varies depending on the type of investment.

The following interest rate and credit risks apply to the Regional Campus's investments in mutual funds at June 30, 2008:

Investment Type	Weighted- or Effective-Average Maturities	Credit Quality Range		Fair Value
		Moody's	Standard and Poor's	
Bond Index Mutual Fund	2.50 Years (1)	Not Rated	Not Rated	\$ 4,514,905
Money Market Mutual Fund	57 Days (2)	Not Rated	Not Rated	580,583
Total				\$ 5,095,488

Notes: (1) Weighted-average maturity.
(2) Effective-average maturity.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Regional Campus's investment in a single issuer. The Regional Campus's investment policy provides that the maximum amount that may be invested in the securities of an individual issuer, not backed by the full faith and credit of the United States Government, shall not exceed five percent of the assets of the investment portfolio. Direct investments in securities of the United States Government, Government agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of United States Government Securities are not subject to these restrictions.

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on loans receivable. As of June 30, 2008, the Regional Campus reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 173,049
Student Tuition and Fees	84,757
Other	28,730
Total Accounts Receivable, Net	\$ 286,536

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

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management’s best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$139,357 and \$81,545, respectively, at June 30, 2008.

No allowance has been accrued for contracts and grants receivable. Regional Campus management considers these to be fully collectible.

5. DUE FROM STATE

This is the amount of Public Education Capital Outlay allocations due to the Regional Campus for construction of Regional Campus facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 510,368	\$	\$	\$ 510,368
Construction in Progress		1,426,322	22,319	1,404,003
Total Nondepreciable Capital Assets	\$ 510,368	\$ 1,426,322	\$ 22,319	\$ 1,914,371
Depreciable Capital Assets:				
Buildings	\$ 25,384,936	\$ 132,362	\$	\$ 25,517,298
Furniture and Equipment	1,670,670	95,071	429,337	1,336,404
Library Resources	380,015	6,719		386,734
Other Capital Assets	98,264	23,280	7,185	114,359
Total Depreciable Capital Assets	27,533,885	257,432	436,522	27,354,795
Less, Accumulated Depreciation:				
Buildings	817,663	514,599		1,332,262
Furniture and Equipment	630,849	130,622	374,214	387,257
Library Resources	38,001	76,837		114,838
Other Capital Assets	16,311	18,328	1,796	32,843
Total Accumulated Depreciation	1,502,824	740,386	376,010	1,867,200
Total Depreciable Capital Assets, Net	\$ 26,031,061	\$ (482,954)	\$ 60,512	\$ 25,487,595

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7. DEFERRED REVENUE

Deferred revenue includes amounts received from contracts and grants, and student tuition and fees, prior to fiscal year end related to subsequent accounting periods. As of June 30, 2008, the Regional Campus reported the following amounts as deferred revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 32,967
Student Tuition and Fees	<u>510</u>
Total Deferred Revenue	<u><u>\$ 33,477</u></u>

8. LONG-TERM LIABILITIES

Long-term liabilities of the Regional Campus at June 30, 2008, include compensated absences and postemployment health care benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2008, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated Absences Payable	\$ 680,265	\$ 87,950	\$ 69,726	\$ 698,489	\$ 63,886
Postemployment Health Care Benefits Payable		<u>117,094</u>		<u>117,094</u>	
Total Long-Term Liabilities	<u><u>\$ 680,265</u></u>	<u><u>\$ 205,044</u></u>	<u><u>\$ 69,726</u></u>	<u><u>\$ 815,583</u></u>	<u><u>\$ 63,886</u></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 Regulation 6C-5.920, USF Rules USF-10.104 and USF-10.203, and union bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The Regional Campus 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 Regional Campus expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2008, the estimated liability for compensated absences, which includes the Regional Campus’s share of the Florida Retirement System and FICA contributions, totaled \$698,489. The current portion of the compensated absences liability for the Regional Campus is based on a proportionate percentage of the current liability reported by the University.

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Postemployment Health Care Benefits. Effective for the 2007-08 fiscal year, the Regional Campus implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits administered by the State Group Health Insurance Program. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$3,047,000 at July 1, 2007, the date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

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

Funding Policy. Benefit provisions are pursuant to Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The Regional Campus has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 25 retirees received postemployment health care benefits. The Regional Campus provided required contributions of \$90,906 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$134,540.

Annual OPEB Cost and Net OPEB Obligation. The Regional Campus's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the Regional Campus's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Regional Campus's net OPEB obligation:

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<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 95,000
Amortization of Unfunded Actuarial Accrued Liability	105,000
Interest on Normal Cost and Amortization	<u>8,000</u>
Annual Required Contribution	208,000
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	<u>-</u>
Annual OPEB Cost (Expense)	208,000
Contribution Toward the OPEB Cost	<u>(90,906)</u>
Increase in Net OPEB Obligation	117,094
Net OPEB Obligation, Beginning of Year	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ 117,094</u></u>

The Regional Campus's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (year of implementation), were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, July 1, 2007	\$		\$
2007-08	208,000	43.7%	117,094

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$3,047,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,047,000. The covered payroll (annual payroll of active participating employees) was \$11,010,379 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 27.7 percent.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used

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include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Regional Campus's initial OPEB actuarial valuation as of July 1, 2007, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and the estimated 2007-08 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial health care cost trend rates for employees not covered by Medicare of 9.6 percent, grading to 5.5 percent in half percent steps after nine years and for employees covered by Medicare of 9.1 percent grading to 5.5 percent in half percent steps after eight years were used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 29 years.

9. RETIREMENT PROGRAMS

Florida Retirement System. The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined-benefit retirement plan (Plan). FRS 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 eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. 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 his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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 an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2007-08 fiscal year were as follows:

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

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

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

The Regional Campus's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the Regional Campus. The Regional Campus's contributions for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$155,339, \$227,504, and \$240,458, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined-contribution plan alternative available to all FRS members in lieu of the FRS defined-benefit plan. Regional Campus employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 47 Regional Campus participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled \$141,916.

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

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

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

There were 71 Regional Campus participants during the 2007-08 fiscal year. Required employer contributions made to the Program totaled \$625,659 and employee contributions totaled \$350,930.

10. CONSTRUCTION COMMITMENTS

The Regional Campus’s major construction commitments at June 30, 2008, were as follows:

Project Name	Current Commitment	Expenses	Commitment Balance
Utilities/Infrastructure/Minor Projects	\$ 4,812,004	\$ 1,404,003	\$ 3,408,001
Total	\$ 4,812,004	\$ 1,404,003	\$ 3,408,001

11. RISK MANAGEMENT PROGRAMS

The Regional Campus is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(3), Florida Statutes, the Regional Campus participates in State self-insurance programs providing insurance for property and casualty, workers’ compensation, general liability, and fleet automotive liability. During the 2007-08 fiscal year, for property losses the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named wind and flood. For perils other than

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

Pursuant to Section 110.123, Florida Statutes, Regional Campus 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.

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 7,623,378
Research	201,305
Academic Support	3,371,925
Student Services	2,112,360
Institutional Support	4,384,498
Operation and Maintenance of Plant	2,313,276
Scholarships and Fellowships	2,098,373
Auxiliary Enterprises	779,510
Depreciation	740,386
Total Operating Expenses	<u><u>\$ 23,625,011</u></u>

13. CURRENT UNRESTRICTED FUNDS

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

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Statement of Current Unrestricted Funds Net Assets

Assets

Current Assets:

Cash and Cash Equivalents	\$ 5,013,431
Investments	3,357,702
Accounts Receivable, Net	<u>101,718</u>

Total Assets

8,472,851

Liabilities

Current Liabilities:

Accounts Payable	329,217
Salaries and Wages Payable	502,286
Deposits Payable	10
Deferred Revenue	510
Compensated Absences Payable	<u>63,886</u>

Total Current Liabilities

895,909

Noncurrent Liabilities:

Compensated Absences Payable	634,603
Postemployment Health Care Benefits Payable	<u>117,094</u>

Total Noncurrent Liabilities

751,697

Total Liabilities

1,647,606

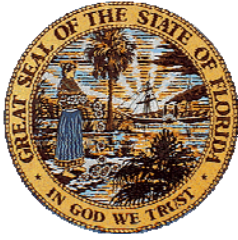
Total Net Assets

\$ 6,825,245

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

Revenues	
Operating Revenues:	
Student Tuition and Fees, Net of Scholarship Allowances of \$827,960	\$ 3,493,781
Sales and Services of Auxiliary Enterprises	559,389
Total Operating Revenues	<u>4,053,170</u>
Expenses	
Operating Expenses:	
Compensation and Employee Benefits	15,437,038
Services and Supplies	3,935,304
Utilities and Communications	541,324
Scholarships, Fellowships, and Waivers	455,248
Total Operating Expenses	<u>20,368,914</u>
Operating Loss	<u>(16,315,744)</u>
Nonoperating Revenues (Expenses):	
State Appropriations	15,820,098
Investment Loss	(471)
Other Nonoperating Revenues	3,995
Net Nonoperating Revenues	<u>15,823,622</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(492,122)
Transfers To/From Other University Campuses, Net	546,503
Increase In Net Assets	54,381
Net Assets, Beginning of Year	<u>6,770,864</u>
Net Assets, End of Year	<u><u>\$ 6,825,245</u></u>



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited the basic financial statements of the University of South Florida Sarasota-Manatee (Regional Campus), a regional campus of the University of South Florida (a component unit of the State of Florida), as of and for the fiscal year ended June 30, 2008, which collectively comprise the Regional Campus's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. As discussed in note 1 to the financial statements, the financial statements of the Regional Campus are intended to present the financial position and the changes of financial position and cash flows of the University of South Florida that are attributable to the transactions of the Regional Campus. 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.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Regional Campus's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally

accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Regional Campus's financial statements that is more than inconsequential will not be prevented or detected by the Regional Campus's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Regional Campus's internal control.

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

Compliance and Other Matters

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

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

Respectfully submitted,



David W. Martin, CPA
May 11, 2009