

1 **FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES**

2
3 **AUDIT AND COMPLIANCE COMMITTEE**
4 **CONFERENCE CALL MEETING**

5
6 **Thursday, June 6, 2019**

7
8 **EDWARDS HALL, ROOM # 309**
9 **Florida Gulf Coast University**

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Minutes

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13 **Members:**

14 *Present:* Trustee Joseph Fogg III (by phone) – Chair; Trustee Darleen Cors (by phone);
15 Trustee Leo Montgomery (by phone); and Trustee Stephen Smith (by phone).

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17 **Others:**

18 *Staff:* Provost and Vice President for Academic Affairs James Llorens; Vice President
19 and Chief of Staff Susan Evans; Vice President for Administrative Services and
20 Finance, and Executive Director of FGCU Financing Corporation Steve Magiera;
21 Vice President and General Counsel Vee Leonard; Director of Equity, Ethics and
22 Compliance, and Title IX Coordinator Precious Gunter (by phone); Director of Internal
23 Audit Bill Foster; Director of Operations Tiffany Reynolds; Assistant Director of Board
24 Operations Tiffany Jackson; and Project Manager Melissa Pind.

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27 **Item 1: Call to Order, Roll Call and Opening Remarks**

28 Chair Joseph Fogg called the meeting to order at 3:07 p.m. He welcomed all members
29 and said the meeting had been duly noticed and was originating from Edwards Hall
30 Room 309 on the campus of Florida Gulf Coast University. He requested Vice
31 President and Chief of Staff Susan Evans to call the roll. Roll call was taken with all
32 Committee members participating, thus meeting quorum requirements.

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35 **Item 2: Consent Agenda (See Tab #1)**

36 Chair Fogg stated there was one item on the Consent Agenda: the Minutes of the April
37 2, 2019 Meeting.

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39 Trustee Darleen Cors made a motion to approve the Consent Agenda. Trustee Leo
40 Montgomery seconded the motion.

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42 There was no public comment, or Committee discussion. The vote was 4-0 in favor of
43 the motion.

46 **Item 3: Action Items (See Tabs #2-3)**

47 Chair Fogg noted there were two action items on the Agenda. He called on Director of
48 Internal Audit Bill Foster to present these items.

49

50 **Florida Gulf Coast University Audited Financial Statements for the Fiscal Year**
51 **ended June 30, 2018 (TAB #2)**

52 Mr. Foster reported the audit of FGCU's Financial Statements for Fiscal Year ending
53 June 30, 2018 had been performed by the Auditor General in accordance with Section
54 11.45 of the Florida Statutes. He indicated on page 2, the Opinion, the auditors
55 determined the financial statements fairly presented the financial position of the
56 University. He explained this was known as a clean opinion and was what the Finance
57 and Accounting Department strove for each year.

58

59 He stated pages 4-16 contained the Management's Discussion and Analysis, where
60 management described in reader friendly terms what occurred in the last fiscal year. He
61 explained this section pointed out major transactions and presented comparative figures
62 from the prior year. He reported pages 18-19 were the Statement of Net Position
63 (previously known as the Balance Sheet). He noted the first column was titled
64 "University" and contained figures for the University and the FGCU Financing
65 Corporation. The second column was titled "Component Unit" and represented the
66 Foundation's information. He explained at year end there were total assets of \$665.8
67 million and \$131.5 million, total liabilities of \$345 million and \$0.6 million, with a net
68 position (residual equity) of \$341.5 million and \$129.9 million, respectively for the
69 "University" and the "Component Unit" columns. He reported page 21 was the
70 Statement of Revenues, Expenses and Changes in Net Position (formerly known as an
71 Income Statement). He explained for the year, FGCU had \$117 million and \$11.6
72 million in operating revenue, and \$230.4 million and \$16.1 million in operating
73 expenses, while net non-operating revenues were \$102.6 million and \$7.2 million,
74 respectively for the "University" and "Component Unit" columns. He stated pages 22-23
75 were the Statement of Cash Flows, which showed the effects to cash from the financial
76 transactions. He noted the net effect was a \$209,000 increase in cash and cash
77 equivalents for the year end. He reported pages 24-55 were the Notes to the Financial
78 Statements, which contained a significant amount of information to explain the various
79 line items in the Financial Statements. He noted compared to Management's
80 Discussion and Analysis, these notes were not necessarily as reader friendly. He
81 stated pages 56-58, Supplementary Information, reflected the information the State of
82 Florida used to determine pension and health insurance subsidy liabilities. He noted
83 pages 59-60 were the Auditor's Report on Internal Control and Compliance, and that
84 this report related financial reporting and compliance with Government Auditing
85 Standards. He said there were no deficiencies in internal controls noted.

86

87 Chair Fogg noted there was, once again, a clean opinion. Trustee Stephen Smith
88 asked staff to discuss the long term liabilities that appeared on page 35. He asked if
89 FGCU was comfortable with the debt position. He said that it seemed like a large
90 number and it would be helpful if someone could provide him with some perspective.
91 Chair Fogg explained the long term liabilities were revenue bonds which were issued

92 only when a great number of State requirements were fulfilled, and were secured by
93 revenues from either the parking garages or student dorm facilities; these were not
94 general obligation bonds. Trustee S. Smith noted the revenue bonds equaled 60
95 percent of the total; however, there was also a big pension liability.

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97 Vice President for Administrative Services and Finance, and Executive Director of
98 FGCU Financing Corporation Steve Magiera commented Chair Fogg was correct in his
99 assessment of the revenue bonds and loans, and noted all debt requirements were met.
100 He noted there were 4,748 “beds” for students at FGCU, which is a large number and
101 thus why the bonds are high. He noted the bonds payable and loans payable continued
102 to drop as FGCU had not built new housing for several years. He stated the problem
103 area was the benefits payable and the net pension liability, about which he had
104 information he could send Trustee S. Smith. He explained the Governmental
105 Accounting Standards Boards (GASB) decided, under GASB 45 and GASB 75, that the
106 universities were required to report the pension liabilities of the parent company on the
107 subsidiaries. He explained this meant the numbers reflected the Florida Retirement
108 System (FRS) and not those of FGCU; however, the University was required to report
109 the numbers given to FGCU by the State annually, which increased yearly. He noted a
110 former trustee had asked about setting up contingent assets for this as would be done
111 in normal business practice; however, this was not permitted in government accounting.
112 He noted the authority over the Pension Fund was the State Legislature and the
113 Governor; however, the State of Florida had a very good bond rating and a well-funded
114 pension plan. He stated the only piece of the pension which was not funded was health
115 insurance. He noted he would be happy to send the information regarding pension
116 liabilities to the members of the Audit and Compliance Committee.

117
118 Chair Fogg asked if there was an offsetting asset on the balance sheet for the pension
119 liabilities. Mr. Magiera responded in the negative; he explained the pension liabilities
120 were the State’s liability, not FGCU’s liability, and the rules did not permit FGCU to
121 provide an offsetting asset.

122
123 Trustee S. Smith stated he would appreciate a copy of the information on pension
124 liabilities. He asked for the bonds payable (dorms, etc.), at what occupancy level would
125 FGCU begin to have problems fulfilling debt requirements. Mr. Magiera responded 80
126 percent occupancy would be problematic; 89 percent was currently the break-even
127 occupancy rate. He noted the fall 2019 semester was estimated to open at 97 percent
128 occupancy, while last year FGCU was at 100 percent occupancy. He explained one
129 percent equaled roughly 47 beds, or \$300,000. He did not foresee any problems with
130 occupancy.

131
132 Chair Fogg stated he did not understand why the unfunded liabilities were not causing
133 FGCU to have a negative net worth. Mr. Magiera explained FGCU did carry a negative
134 unrestricted balance of \$42,798,613; however, the rating agencies and the Southern
135 Association of Colleges and Schools (SACS) accrediting body understood what this was
136 and did not hold this number against the University.

138 Trustee Montgomery noted Mr. Magiera and Mr. Foster answered his prior questions
139 regarding the liabilities associated with the pension plans. He noted this was a very
140 complex area which he researched extensively. He stated the State pension plan was
141 well-funded which he found comforting. He reported next year there would be a new
142 financial reporting requirement whereby the auditors would be required to report on the
143 liquidity of the institution.

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145 Trustee S. Smith made a motion to accept the Florida Gulf Coast University Audited
146 Financial Statements for the Fiscal Year ended June 30, 2018 and to recommend its
147 acceptance to the FGCU Board of Trustees. Trustee Montgomery seconded the
148 motion.

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150 There was no public comment, or further Committee discussion. The vote was 4-0 in
151 favor of the motion.

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153 **State of Florida Compliance and Internal Controls over Financial Reporting and**
154 **Federal Awards Audit (TAB #3)**

155 Mr. Foster explained the State of Florida Compliance and Internal Controls over
156 Financial Reporting and Federal Awards Audit was a Statewide Federal Audit, and as
157 FGCU was a component unit of the State of Florida, it was included in the State's
158 Federal Audit. He noted there were zero findings for the year 2018. He reported there
159 was one incident in 2017, which was relevant because FGCU for 2018 was required to
160 include a summary schedule of prior year findings and how they were addressed (which
161 was done). He noted the incident involved a refund of a Federal Tuition Assistance
162 Program which was due near the time of Hurricane Irma and as a result, FGCU was
163 unable to make the refund to the student in a timely manner. He explained FGCU
164 adjusted its procedures to ensure in the future the refund would be appropriately
165 provided to the Federal Program at the time it was due.

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167 Trustee Cors made a motion to accept the State of Florida Compliance and Internal
168 Controls over Financial Reporting and Federal Awards Audit and to recommend its
169 acceptance to the FGCU Board of Trustees. Trustee Montgomery seconded the
170 motion.

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172 There was no public comment, or Committee discussion. The vote was 4-0 in favor of
173 the motion.

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176 **Item 4: Old Business**

177 There was no old business for discussion.

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180 **Item 5: New Business**

181 Chair Fogg reported that he recently had his quarterly discussion with Director of Equity,
182 Ethics and Compliance, and Title IX Coordinator Precious Gunter regarding updates

183 from the Office of Institutional Equity and Compliance. He stated nothing from this
184 discussion warranted reporting.

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186 There was no further new business for discussion.

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189 **Item 6: Closing Remarks, and Adjournment**

190 Chair Fogg adjourned the meeting at 3:28 p.m.

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200 Minutes prepared by Transcription Experts, and reviewed by Tiffany Jackson, FGCU
201 Assistant Director of Board Operations.

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206 Agenda Items:

207 A. See Tabs # 1-3

208 a. [https://www2.fgcu.edu/Trustees/AgendaFile/2019/6-6-2019/FGCUACCMTG-
209 AGENDAPACKET-6-6-19.pdf](https://www2.fgcu.edu/Trustees/AgendaFile/2019/6-6-2019/FGCUACCMTG-AGENDAPACKET-6-6-19.pdf)

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212 Attachment:

213 A. Record of Votes

Record of Votes FGCU Board of Trustees Audit and Compliance Committee Meeting DATE: <u>June 6, 2019</u>		Consent Agenda (Tab #1) 1- Cors 2- Montgomery	Florida Gulf Coast University Audited Financial Statements for the Fiscal Year ended June 30, 2018 (Tab #2) 1- Smith 2- Montgomery	State of Florida Compliance and Internal Controls over Financial Reporting and Federal Awards Audit (Tab #3) 1- Cors 2- Montgomery
	TRUSTEES	Yes/No	Yes/No	Yes/No
1	Trustee Darleen Cors	Yes	Yes	Yes
2	Trustee Leo Montgomery	Yes	Yes	Yes
3	Trustee Stephen Smith	Yes	Yes	Yes
4	Trustee Joseph Fogg	Yes	Yes	Yes