FLORIDA GULF COAST UNIVERSITY BOARD OF TRUSTEES

AUDIT AND COMPLIANCE COMMITTEE
CONFERENCE CALL MEETING

Thursday, June 6, 2019

EDWARDS HALL, ROOM # 309
Florida Gulf Coast University

Minutes

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

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

Item 1: Call to Order, Roll Call and Opening Remarks
Chair Joseph Fogg called the meeting to order at 3:07 p.m. He welcomed all members and said the meeting had been duly noticed and was originating from Edwards Hall Room 309 on the campus of Florida Gulf Coast University. He requested Vice President and Chief of Staff Susan Evans to call the roll. Roll call was taken with all Committee members participating, thus meeting quorum requirements.

Item 2: Consent Agenda (See Tab #1)
Chair Fogg stated there was one item on the Consent Agenda: the Minutes of the April 2, 2019 Meeting.

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

There was no public comment, or Committee discussion. The vote was 4-0 in favor of the motion.
Item 3: Action Items (See Tabs #2-3)

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

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

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

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

Chair Fogg noted there was, once again, a clean opinion. Trustee Stephen Smith asked staff to discuss the long term liabilities that appeared on page 35. He asked if FGCU was comfortable with the debt position. He said that it seemed like a large number and it would be helpful if someone could provide him with some perspective. Chair Fogg explained the long term liabilities were revenue bonds which were issued
only when a great number of State requirements were fulfilled, and were secured by
revenues from either the parking garages or student dorm facilities; these were not
general obligation bonds. Trustee S. Smith noted the revenue bonds equaled 60
percent of the total; however, there was also a big pension liability.

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

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

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

Chair Fogg stated he did not understand why the unfunded liabilities were not causing
FGCU to have a negative net worth. Mr. Magiera explained FGCU did carry a negative
unrestricted balance of $42,798,613; however, the rating agencies and the Southern
Association of Colleges and Schools (SACS) accrediting body understood what this was
and did not hold this number against the University.
Trustee Montgomery noted Mr. Magiera and Mr. Foster answered his prior questions regarding the liabilities associated with the pension plans. He noted this was a very complex area which he researched extensively. He stated the State pension plan was well-funded which he found comforting. He reported next year there would be a new financial reporting requirement whereby the auditors would be required to report on the liquidity of the institution.

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

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

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

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

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

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

**Item 4: Old Business**

There was no old business for discussion.

**Item 5: New Business**

Chair Fogg reported that he recently had his quarterly discussion with Director of Equity, Ethics and Compliance, and Title IX Coordinator Precious Gunter regarding updates
from the Office of Institutional Equity and Compliance. He stated nothing from this discussion warranted reporting.

There was no further new business for discussion.

Item 6: Closing Remarks, and Adjournment

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

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

Agenda Items:

A. See Tabs # 1-3

a. https://www2.fgcu.edu/Trustees/AgendaFile/2019/6-6-2019/FGCUACCMTG-AGENDAPACKET-6-6-19.pdf

Attachment:

A. Record of Votes
Record of Votes
FGCU Board of Trustees
Audit and Compliance Committee Meeting
DATE: June 6, 2019

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<tr>
<td>1 Trustee Darleen Cors</td>
<td>Yes</td>
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<td>2 Trustee Leo Montgomery</td>
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<td>3 Trustee Stephen Smith</td>
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<td>4 Trustee Joseph Fogg</td>
<td>Yes</td>
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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