

# UNIVERSITY OF WEST FLORIDA

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2009



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

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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 Joan E. Valle, CPA, and the audit was supervised by Jim Kiedinger, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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UNIVERSITY OF WEST FLORIDA  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements 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 University of West Florida and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University'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 University's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the University's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic 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 University 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 University 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

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111 West Madison Street  
Tallahassee, Florida 32399-1450



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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 West Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2009, which collectively comprise the University's basic financial statements as shown on pages 10 through 34. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of West Florida and of its aggregate discretely presented component units as of June 30, 2009, and the respective 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.

As discussed in note 2 to the financial statements, the University of West Florida Foundation, Inc., adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, as of July 1, 2008. The cumulative effect of the adoption of the fair value option required a restatement of net assets and affects the comparability of amounts reported for the discretely presented component unit columns for ending net assets for the fiscal year ended June 30, 2009, to that of the prior fiscal year.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 9, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 35, are not required parts of the basic financial statements, but are 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  
March 22, 2010

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2009, 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 University management.

### FINANCIAL HIGHLIGHTS

The University's assets totaled \$246.1 million at June 30, 2009. This balance reflects a \$19.9 million, or 8.8 percent, increase from the 2007-08 fiscal year, resulting primarily from an increase in construction work in progress on the Science and Technology Building. Liabilities increased by a lesser amount of \$7.7 million, or 27.2 percent, due in large part to an increase in construction contracts payable as well as the issuance of new debt allocated to the University. As a result, the University's net assets increased by \$12.2 million, reaching a year-end balance of \$209.9 million.

The University's operating revenues totaled \$51.2 million for the 2008-09 fiscal year, representing a 3.4 percent increase over the 2007-08 fiscal year due mainly to an increase in net student tuition and fees. Operating expenses totaled \$141.2 million for the 2008-09 fiscal year, representing a decrease of 3.3 percent from the 2007-08 fiscal year due to a decline in spending on services and supplies reflective of the weakened economic environment.

### OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University'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, and notes thereto, encompass the University and its component units. These component units include:

- University of West Florida Foundation, Inc.
- West Florida Historic Preservation, Inc.

Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units. The West Florida Historic Preservation, Inc., which reports under GASB standards, has included MD&A information in its separately issued audit report.

### THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, liabilities, and net assets at June 30:

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

	2009	2008
<b>Assets</b>		
Current Assets	\$ 92,595	\$ 92,039
Capital Assets, Net	142,159	129,145
Other Noncurrent Assets	11,331	4,996
<b>Total Assets</b>	<b>246,085</b>	<b>226,180</b>
<b>Liabilities</b>		
Current Liabilities	14,209	11,091
Noncurrent Liabilities	22,019	17,399
<b>Total Liabilities</b>	<b>36,228</b>	<b>28,490</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	134,815	123,957
Restricted	37,330	41,397
Unrestricted	37,712	32,336
<b>Total Net Assets</b>	<b>\$ 209,857</b>	<b>\$ 197,690</b>

The increase in total assets was primarily attributable to construction on the Science and Technology Building and other capital projects. The increase in total liabilities was attributable to amounts due and unpaid at year-end on capital projects as well as the portion of the issuance of new debt allocated to the University.

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

The statement of revenues, expenses, and changes in net assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
Operating Revenues	\$ 51,173	\$ 49,473
Operating Expenses	141,192	146,046
<b>Operating Loss</b>	(90,019)	(96,573)
Net Nonoperating Revenues	84,060	94,942
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	(5,959)	(1,631)
Other Revenues, Expenses, Gains, or Losses	18,126	22,610
<b>Net Increase In Net Assets</b>	12,167	20,979
Net Assets, Beginning of Year	197,690	176,711
<b>Net Assets, End of Year</b>	\$ 209,857	\$ 197,690

**Operating Revenues**

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2008-09 and 2007-08 fiscal years:

**Operating Revenues  
(In Thousands)**

	2008-09	2007-08
Net Tuition and Fees	\$ 30,782	\$ 26,019
Grants and Contracts	13,698	14,831
Sales and Services of Auxiliary Enterprises	4,502	6,898
Other	2,191	1,725
<b>Total Operating Revenues</b>	\$ 51,173	\$ 49,473

Total operating revenues for the 2008-09 fiscal year were \$51.2 million, of which \$43.1 million was from gross student tuition and fees. A tuition allowance, which represents the difference between the stated charges for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of a student, totaled \$12.3 million. As a result, net student tuition and fees were \$30.8 million, which represents an increase of \$4.8 million, or 18.3 percent, over the 2007-08 fiscal year. This increase was due to increased student enrollment, higher tuition and fee rates, and the reporting of noncredit continuing education revenues as tuition and fees. The decline in sales and services of auxiliary enterprises revenue was largely attributable to this change in classification.

### Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2008-09 and 2007-08 fiscal years:

<b>Operating Expenses</b>		
<b>(In Thousands)</b>		
	<u>2008-09</u>	<u>2007-08</u>
Compensation and Employee Benefits	\$ 87,806	\$ 87,597
Services and Supplies	27,281	33,027
Utilities and Communications	4,245	3,971
Scholarships, Fellowships, and Waivers	12,985	12,037
Depreciation	<u>8,875</u>	<u>9,414</u>
<b>Total Operating Expenses</b>	<b><u>\$ 141,192</u></b>	<b><u>\$ 146,046</u></b>

The decrease in total operating expenses is due to the expiration of a \$4 million contract for service at the end of the 2007-08 fiscal year as well as University cost-cutting efforts in the services and supplies classification in response to the weakened economic environment.

### Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

<b>Nonoperating Revenues (Expenses)</b>		
<b>(In Thousands)</b>		
	<u>2008-09</u>	<u>2007-08</u>
State Appropriations	\$65,007	\$76,837
Federal and State Student Financial Aid	17,986	16,358
Noncapital Grants, Contracts, and Gifts	2,320	
Investment Income	545	2,084
Other Nonoperating Revenues	382	517
Loss on Disposal of Capital Assets	(104)	(97)
Interest on Capital Asset-Related Debt	(441)	(385)
Other Nonoperating Expenses	<u>(1,635)</u>	<u>(372)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 84,060</u></b>	<b><u>\$ 94,942</u></b>

The State experienced reduced revenue collections as a result of the weakened economic environment and significantly reduced appropriations to the University for the 2008-09 fiscal year. The weakened economy also contributed to a rise in the number of students in need of and qualifying for financial aid. Interest rates were

significantly lower during the 2008-09 fiscal year and turmoil in the financial markets led to the decrease in investment income and to an unrealized investment loss when certain investments were reduced to fair market value at June 30, 2009.

Noncapital grants, contracts, and gifts consist of donations made by the University of West Florida Foundation, Inc., a component unit of the University, in support of University operating expenses and scholarships. The balance in other nonoperating expenses resulted from the University’s recognition in the 2008-09 fiscal year of the liability to the Federal government for a Federal capital contribution to the University’s Perkins Loan Program.

**Other Revenues, Expenses, Gains, or Losses**

This category is mainly composed of capital appropriations and capital grants, contracts, and donations. The following summarizes the University’s other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

<b>Other Revenues, Expenses, Gains, or Losses (In Thousands)</b>		
	2008-09	2007-08
Capital Appropriations	\$ 17,617	\$ 21,330
Capital Grants, Contracts, Donations, and Fees	509	1,280
<b>Total</b>	<b>\$ 18,126</b>	<b>\$ 22,610</b>

The decrease in capital appropriations of \$3.7 million, which are State appropriations specifically designated for the acquisition, construction, or improvement of capital assets, again reflects the reduction in available funding for these purposes due to the weakened economy.

**THE STATEMENT OF CASH FLOWS**

The statement of cash flows provides information about the University’s financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University’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 University. Cash flows from the capital financing activities include all plant funds and related long-term debt activities. 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 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (79,111)	\$ (84,971)
Noncapital Financing Activities	84,567	93,525
Capital and Related Financing Activities	7,356	(1,166)
Investing Activities	(12,485)	(7,698)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	327	(310)
Cash and Cash Equivalents, Beginning of Year	7,649	7,959
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 7,976</b>	<b>\$ 7,649</b>

Major cash inflows were from State appropriations (\$65 million), net student tuition and fees (\$29.6 million), capital appropriations (\$17.6 million), grants and contracts (\$15.5 million) and sales and services of auxiliary enterprises (\$4.5 million). Major cash outflows were for payments to employees (\$86 million) and to providers of goods and services (\$32 million.) The net cash provided by noncapital financing activities decreased by \$9 million primarily due to a decrease in State appropriations of \$11.8 million and an increase in noncapital grants, contracts, and gifts of \$2.3 million.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,  
AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2009, the University had \$267.4 million in capital assets, less accumulated depreciation of \$125.2 million, for net capital assets of \$142.2 million. Depreciation charges for the current fiscal year totaled \$8.9 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

	<b>Capital Assets, Net (In Thousands)</b>	
	2009	2008
Land	\$ 9,606	\$ 9,606
Buildings	71,146	71,500
Construction in Progress	18,353	3,483
Infrastructure and Other Improvements	16,885	17,661
Furniture and Equipment	10,098	11,452
Library Resources	5,324	5,346
Property Under Capital Lease and Leasehold Improvements	69	117
Works of Art and Historical Treasures	10,209	9,595
Computer Software	469	385
<b>Capital Assets, Net</b>	<b>\$ 142,159</b>	<b>\$ 129,145</b>

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

**CAPITAL EXPENSES AND COMMITMENTS**

Major construction commitments through June 30, 2009, were primarily for construction of the Science and Technology Building (\$15.1 million) and Utilities and Infrastructure projects (\$9.7 million). The University’s major construction commitments in total at June 30, 2009, are as follows:

	<u>Amount (In Thousands)</u>
Total Commitment	\$ 61,952
Completed to Date	<u>(26,551)</u>
<b>Balance Committed</b>	<b><u>\$ 35,401</u></b>

Additional information about the University’s capital commitments is presented in the notes to financial statements.

**DEBT ADMINISTRATION**

As of June 30, 2009, the University had \$9.8 million in outstanding bonds, representing an increase of \$2.3 million, or 30 percent, from the prior fiscal year due to the issuance of \$2.7 million in debt allocated to the University and debt payments of \$0.4 million. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

	<b>Long-Term Debt, at June 30 (In Thousands)</b>	
	<u>2009</u>	<u>2008</u>
Bonds Payable	\$ 9,809	\$ 7,544
Capital Lease	<u>45</u>	<u>88</u>
<b>Total</b>	<b><u>\$ 9,854</u></b>	<b><u>\$ 7,632</u></b>

Additional information about the University’s long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University’s economic position is influenced by that of the State of Florida. State appropriations currently comprise approximately 48 percent of the University’s operating and net nonoperating revenues, down from 53 percent for the fiscal year ended June 30, 2008, and are the University’s largest single source of funding. Prevailing economic weakness contributed to a significant reduction in the University’s 2008-09 fiscal year State appropriations, and the University anticipates additional reductions in the 2009-10 fiscal year. The University continues to monitor this situation closely and is confident in its ability to meet these economic challenges through cost saving measures and increases in alternate revenue sources, including increases in revenue stemming from increased enrollment and increased student tuition and fees.

**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 the Assistant Vice President for Finance/University Controller, University of West Florida, 11000 University Parkway, Pensacola, Florida 32514.

**BASIC FINANCIAL STATEMENTS**

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
June 30, 2009**

	<u>University</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,387,505	\$ 3,643,068
Investments	50,959,372	1,207,939
Accounts Receivable, Net	4,627,992	2,307,666
Loans and Notes Receivable, Net		179,387
Due from State	33,620,469	
Inventories		107,184
Other Current Assets		120,260
<b>Total Current Assets</b>	<u>92,595,338</u>	<u>7,565,504</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,588,236	28,685,140
Restricted Investments	4,007,381	46,203,777
Loans and Notes Receivable, Net	2,686,321	
Depreciable Capital Assets, Net	103,990,861	27,625,276
Nondepreciable Capital Assets	38,167,703	5,925,655
Other Noncurrent Assets	48,761	1,096,824
<b>Total Noncurrent Assets</b>	<u>153,489,263</u>	<u>109,536,672</u>
<b>TOTAL ASSETS</b>	<u>\$246,084,601</u>	<u>\$117,102,176</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 2,305,961	\$ 1,077,628
Construction Contracts Payable	3,875,394	
Salaries and Wages Payable	4,689,880	
Deposits Payable	550,461	
Due to State	1,120,997	
Deferred Revenue	229,105	19,897
Long-Term Liabilities - Current Portion:		
Bonds Payable	463,837	900,000
Capital Lease Payable	44,806	
Compensated Absences Payable	928,104	
<b>Total Current Liabilities</b>	<u>14,208,545</u>	<u>1,997,525</u>

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS (Continued)  
June 30, 2009**

	<b>University</b>	<b>Component Units</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	\$ 9,344,673	\$ 43,487,390
Compensated Absences Payable	9,587,508	119,313
Postemployment Healthcare Benefits Payable	1,452,000	207,193
Other Noncurrent Liabilities	1,635,370	
<b>Total Noncurrent Liabilities</b>	22,019,551	43,813,896
<b>TOTAL LIABILITIES</b>	36,228,096	45,811,421
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	134,815,029	3,338,500
Restricted for Nonexpendable:		
Endowment		42,826,051
Restricted for Expendable:		
Loans	2,047,801	
Capital Projects	33,278,852	
Other	2,003,352	13,918,977
Unrestricted	37,711,471	11,207,227
<b>TOTAL NET ASSETS</b>	209,856,505	71,290,755
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 246,084,601	\$ 117,102,176

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

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2009**

	University	Component Units
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$12,356,236	\$ 30,782,250	\$
Federal Grants and Contracts	11,614,428	
State and Local Grants and Contracts	2,009,483	
Nongovernmental Grants and Contracts	74,237	
Gifts and Donations		1,325,166
Sales and Services of Auxiliary Enterprises	4,501,533	
Sales and Services of Component Units		67,134
Interest on Loans and Notes Receivable	56,521	
Other Operating Revenues	2,134,409	7,411,060
<b>Total Operating Revenues</b>	51,172,861	8,803,360
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	87,805,846	1,984,065
Services and Supplies	27,281,123	3,061,514
Utilities and Communications	4,244,871	860,244
Scholarships, Fellowships, and Waivers	12,985,429	
Depreciation	8,874,836	1,461,490
<b>Total Operating Expenses</b>	141,192,105	7,367,313
<b>Operating Income (Loss)</b>	(90,019,244)	1,436,047
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	65,006,959	
Federal and State Student Financial Aid	17,986,577	
Noncapital Grants, Contracts, and Gifts	2,320,174	
Investment Income (Loss)	544,999	(10,989,451)
Other Nonoperating Revenues	382,362	
Loss on Disposal of Capital Assets	(104,401)	
Interest on Capital Asset-Related Debt	(441,496)	(2,146,114)
Other Nonoperating Expenses	(1,635,370)	(3,102,091)
<b>Net Nonoperating Revenues (Expenses)</b>	84,059,804	(16,237,656)
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	(5,959,440)	(14,801,609)
Capital Appropriations	17,617,164	
Capital Grants, Contracts, Donations, and Fees	508,838	2,117,451
Additions to Permanent Endowments		1,134,137
<b>Increase (Decrease) in Net Assets</b>	12,166,562	(11,550,021)
Net Assets, Beginning of Year	197,689,943	82,698,212
Adjustment to Beginning Net Assets		142,564
<b>Net Assets, Beginning of Year, as Restated</b>	197,689,943	82,840,776
<b>Net Assets, End of Year</b>	\$ 209,856,505	\$ 71,290,755

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

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2009**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 29,643,240
Grants and Contracts	15,505,407
Sales and Services of Auxiliary Enterprises	4,581,533
Interest on Loans and Notes Receivable	44,514
Payments to Employees	(85,594,525)
Payments to Suppliers for Goods and Services	(32,352,145)
Payments to Students for Scholarships and Fellowships	(12,985,429)
Net Loans Issued to Students	119,049
Other Operating Receipts	1,926,952
	<b>(79,111,404)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	65,006,959
Federal and State Student Financial Aid	17,986,577
Noncapital Grants, Contracts, and Gifts	2,320,174
Operating Subsidies and Transfer	(1,229,823)
Net Change in Funds Held for Others	100,816
Other Nonoperating Receipts	382,362
	<b>84,567,065</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	2,672,551
Capital Appropriations	17,617,164
Capital Grants, Contracts, Donations, and Fees	508,838
Capital Subsidies and Transfers	5,956,726
Purchase or Construction of Capital Assets	(18,503,474)
Principal Paid on Capital Debt and Leases	(453,842)
Interest Paid on Capital Debt and Leases	(441,496)
	<b>7,356,467</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(13,766,036)
Investment Income	1,280,368
	<b>(12,485,668)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>326,460</b>
Cash and Cash Equivalents, Beginning of Year	7,649,281
	<b>\$ 7,975,741</b>

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2009**

	<b>University</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (90,019,244)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	8,874,836
Change in Assets and Liabilities:	
Receivables, Net	1,747,225
Accounts Payable	(828,845)
Salaries and Wages Payable	1,367,408
Deposits Payable	15,435
Compensated Absences Payable	137,913
Deferred Revenue	(1,112,132)
Postemployment Healthcare Benefits Payable	706,000
	<u>\$ (79,111,404)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (79,111,404)</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL  
AND RELATED FINANCING ACTIVITIES**

The University recognized unrealized losses of \$743,948 on investing activities. The unrealized losses were recognized as reductions to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

Losses from the disposal of capital assets of \$104,401 were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

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

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 6C-9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- The University of West Florida Foundation, Inc. (Foundation), provides funding and services to support and foster the pursuit of higher education at the University, and operates solely for the benefit of the University and its mission of teaching, research, and service. The Foundation serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

than their share of the cost of education may do so. The Foundation does not serve any private causes, but generally benefits the public.

- The West Florida Historic Preservation, Inc., was established to engage in the restoration and exhibition of historical landmarks in the Pensacola, Florida vicinity. This organization conducts certain activities and programs that assist and promote the purposes of the University.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, is available by contacting the University Financial Services Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

**Basis of Presentation.** The University'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 University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplemental Information

**Basis of Accounting.** Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses,

**UNIVERSITY OF WEST FLORIDA**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred. The University of West Florida Foundation, Inc., follows FASB standards of accounting and financial reporting for not-for-profit organizations. The West Florida Historic Preservation, Inc., follows GASB standards of accounting and financial reporting.

The University 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 University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital 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. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

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

**Cash and Cash Equivalents.** Cash and cash equivalents consist of cash on hand and cash in demand accounts. University 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.

**Capital Assets.** University capital assets consist of land, works of art and historical treasures, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease and leasehold improvements, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property and \$50,000 for new buildings and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 10 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 5 to 20 years
- Library Resources – 10 years
- Property Under Capital Lease – 5 to 20 years
- Capital Leasehold Improvements – 10 years or the term of the lease, whichever is greater
- Computer Software – 5 years

Capital assets of the University of West Florida Foundation, Inc., consist of land, construction in progress, office equipment and software, and property held under capital lease. 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 donations. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets.

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

Capital assets of the West Florida Historic Preservation, Inc., consist of land, construction in progress, buildings and improvements, and furniture, fixtures, and equipment, including historic properties, antiques, and collections. 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 donations. Antiques and collectibles for which a fair market value cannot be determined are recorded at a value of \$1. Expenditures which equal or exceed \$1,000 that materially increase values, change capacities, or extend useful lives are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed on a straight-line basis over 5 to 10 years for furniture, fixtures, and equipment and over 10 to 40 years for buildings and improvements. Historic properties, antiques, and collectibles are not depreciated.

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of bonds payable, compensated absences payable, postemployment healthcare benefits payable, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance cost paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds using the straight-line method.

**2. CHANGES IN ACCOUNTING PRINCIPLES – COMPONENT UNIT**

The University of West Florida Foundation, Inc., adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, as of July 1, 2008. The cumulative effect of the adoption of the fair value option required a restatement of net assets.

**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. The University's Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

nationally recognized rating agency. Investments of funds designated for purchase or construction of capital assets are classified as restricted.

**External Investment Pools**

The University reported investments at fair value totaling \$54,959,432 at June 30, 2009, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 1.84 years at June 30, 2009. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

At June 30, 2009, the University reported investments at fair value of \$7,321 for amounts held in Fund B. The University's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.5137 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

**Component Units Investments**

Investments held by the University of West Florida Foundation, Inc., and the West Florida Historic Preservation, Inc., at June 30, 2009, are reported at carrying value, which approximates fair value, as follows:

**UNIVERSITY OF WEST FLORIDA  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Investment Type	Amount
Bonds and Notes	\$ 9,911,859
Stocks and Other Equity Securities	29,017,973
Real Estate and Investment Agreements	1,012,269
Certificates of Deposit	1,207,939
Money Market and Mutual Funds	6,261,676
<b>Total Component Unit Investments</b>	<b>\$47,411,716</b>

For the component units, except for the certificates of deposit, the investments are those reported by the University of West Florida, Inc. (Foundation). Because the Foundation reports under the FASB reporting model, disclosure of the various investment risks is not required for the Foundation’s investments.

**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 investments and loans receivable. As of June 30, 2009, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	\$ 3,083,084
Student Tuition and Fees	2,234,574
Other	351,416
<b>Total Accounts Receivable</b>	5,669,074
Less, Allowance for Doubtful Accounts	1,041,082
<b>Total Accounts Receivable, Net</b>	<b>\$ 4,627,992</b>

**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 on 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 \$1,041,082 and \$101,824, respectively, at June 30, 2009.

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

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**5. DUE FROM STATE**

This amount primarily consists of \$32,390,646 of Public Education Capital Outlay allocations due from the State to the University for construction of University facilities.

**6. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 9,605,539	\$	\$	\$ 9,605,539
Works of Art and Historical Treasures	9,595,474	613,795		10,209,269
Construction in Progress	3,483,287	18,283,315	3,413,707	18,352,895
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 22,684,300</b>	<b>\$ 18,897,110</b>	<b>\$ 3,413,707</b>	<b>\$ 38,167,703</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 124,050,921	\$ 3,138,024	\$ 35,064	\$ 127,153,881
Infrastructure and Other Improvements	28,007,794	218,551	6,485	28,219,860
Furniture and Equipment	39,974,769	1,993,149	1,384,022	40,583,896
Library Resources	29,938,932	1,014,396	365,365	30,587,963
Property Under Capital Lease and Leasehold Improvements	270,648			270,648
Computer Software	2,189,042	223,963		2,413,005
<b>Total Depreciable Capital Assets</b>	<b>224,432,106</b>	<b>6,588,083</b>	<b>1,790,936</b>	<b>229,229,253</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	52,550,313	3,458,720	1,051	56,007,982
Infrastructure and Other Improvements	10,347,177	987,771		11,334,948
Furniture and Equipment	28,523,246	3,202,018	1,239,043	30,486,221
Library Resources	24,593,115	1,036,548	365,365	25,264,298
Property Under Capital Lease and Leasehold Improvements	153,516	49,014	825	201,705
Computer Software	1,804,237	140,765	1,764	1,943,238
<b>Total Accumulated Depreciation</b>	<b>117,971,604</b>	<b>8,874,836</b>	<b>1,608,048</b>	<b>125,238,392</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 106,460,502</b>	<b>\$ (2,286,753)</b>	<b>\$ 182,888</b>	<b>\$ 103,990,861</b>

**7. DEFERRED REVENUE**

Deferred revenue consists of funds received prior to fiscal year-end for which the earnings process will be completed in subsequent accounting periods. As of June 30, 2009, the University reported deferred revenue of \$229,105.

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**8. LONG-TERM LIABILITIES**

Long-term liabilities of the University at June 30, 2009, include bonds payable, a capital lease payable, compensated absences payable, postemployment healthcare benefits payable, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 7,544,300	\$ 2,677,897	\$ 413,687	\$ 9,808,510	\$ 463,837
Capital Lease Payable	88,105		43,299	44,806	44,806
Compensated Absences Payable	10,377,699	1,079,427	941,514	10,515,612	928,104
Postemployment Healthcare Benefits Payable	746,000	1,287,000	581,000	1,452,000	
Other Noncurrent Liabilities		1,635,370		1,635,370	
<b>Total Long-Term Liabilities</b>	<b>\$ 18,756,104</b>	<b>\$ 6,679,694</b>	<b>\$ 1,979,500</b>	<b>\$ 23,456,298</b>	<b>\$ 1,436,747</b>

**Revenue Bonds Payable.** The University had the following bonds payable outstanding at June 30, 2009:

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
State University System Revenue Bonds:				
1997A Series	\$ 1,258,740	\$ 851,544	4.75 - 5.00	2016
1998 Series	2,231,367	1,514,042	4.40 - 5.00	2023
2001 Series	904,778	711,575	4.00 - 5.00	2026
2003A Series	792,411	334,636	5.00	2013
2005A Series	568,955	469,557	3.625 - 4.125	2022
2006A Series	3,532,070	3,273,770	4.00 - 5.00	2030
2008A Series	2,715,789	2,653,386	4.00 - 6.50	2033
<b>Total State University System Revenue Bonds</b>	<b>\$ 12,004,110</b>	<b>\$ 9,808,510</b>		

Note: (1) Amount outstanding includes unamortized bond discounts and premiums, and deferred losses on refunding issues.

State University System revenue bonds were issued to acquire and construct various university facilities. These bonds are secured and payable from capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

On January 14, 2009, the Florida Board of Governors, on behalf of the University, issued \$2,715,789 in State University System Revenue Bonds, Series 2008A. The proceeds of \$2,672,551, net of \$43,238 in discount and delivery date expenses, will be used for capital improvements.

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 463,837	\$ 492,212	\$ 956,049
2011	484,641	470,775	955,416
2012	506,371	448,733	955,104
2013	535,515	425,495	961,010
2014	478,322	400,279	878,601
2015-1019	2,268,778	1,665,016	3,933,794
2020-2024	2,253,247	1,118,156	3,371,403
2025-2029	1,833,910	595,428	2,429,338
2030-2034	971,257	134,798	1,106,055
<b>Subtotal</b>	9,795,878	5,750,892	15,546,770
Net Bond Discounts, Premiums, and Losses on Bond Refundings	12,632		12,632
<b>Total</b>	<u>\$9,808,510</u>	<u>\$5,750,892</u>	<u>\$15,559,402</u>

**Bonds Payable – Component Units.** A summary of the component units’ bonds payable as of June 30, 2009, is shown in the following table:

<u>Bond Type and Series</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Revenue Bonds:				
Dormitory Revenue Bonds:				
1998	\$ 15,400,000	\$ 11,925,000	3.5 - 4.75	2028
2009	15,000,000	15,000,000	5.09	2029
Dormitory Refunding Revenue Bonds:				
2005	18,290,000	17,605,000	3.75 - 5.0	2031
<b>Subtotal</b>	48,690,000	44,530,000		
Less: Bond Discounts		142,610		
<b>Total Revenue Bonds</b>	<u>\$ 48,690,000</u>	<u>\$ 44,387,390</u>		

Maturities of the component units’ bonds are shown in the following table:

**UNIVERSITY OF WEST FLORIDA**  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 900,000	\$ 2,205,082	\$ 3,105,082
2011	1,427,000	2,090,294	3,517,294
2012	1,492,000	2,025,483	3,517,483
2013	1,558,000	1,956,307	3,514,307
2014	1,630,000	1,885,440	3,515,440
2015-1019	9,362,000	8,221,238	17,583,238
2020-2024	11,797,000	5,788,924	17,585,924
2025-2029	13,954,000	2,688,511	16,642,511
2030-2034	2,410,000	182,250	2,592,250
<b>Subtotal</b>	44,530,000	27,043,529	71,573,529
Less: Bond Discounts	142,610		142,610
<b>Total</b>	<b>\$44,387,390</b>	<b>\$27,043,529</b>	<b>\$71,430,919</b>

During the 2005-06 fiscal year, the University of West Florida Foundation, Inc., issued \$18,290,000 of Dormitory Refunding Revenue bonds, Series 2005. Proceeds were used to refund \$5,475,000 of outstanding Housing System Revenue Bonds, Series 2002, and to defease \$11,640,000 of outstanding Dormitory Revenue Bonds, Series 1999. As a result of the refunding, the University of West Florida Foundation, Inc., consolidated certain debt issues and was able to achieve debt service coverage savings. Proceeds from the Dormitory Refunding Revenue Bonds, Series 2005, were placed in an irrevocable escrow account with a trust agent to provide for all future debt service payments on the defeased bonds. At June 30, 2009, the Foundation paid in full \$11,905,000 of bonds considered to be defeased. Restricted assets held in escrow to pay these bonds have been eliminated as of June 30, 2009.

During the 2008-09 fiscal year, the 2009 Dormitory Revenue Bonds, sponsored by the Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities.

**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' regulations, University regulations, and 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 University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled

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\$10,515,612. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

**Postemployment Healthcare Benefits Payable.** The University follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

*Plan Description.* Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan. The University 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. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. 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.

*Funding Policy.* Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 101 retirees received postemployment healthcare benefits. The University provided required contributions of \$659,000 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 \$990,000.

*Annual OPEB Cost and Net OPEB Obligation.* The University'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 Board Statement No. 45. 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 University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 572,000
Amortization of Unfunded Actuarial Accrued Liability	661,000
Interest on Normal Cost and Amortization	49,000
<b>Annual Required Contribution</b>	1,282,000
Interest on Net OPEB Obligation	33,000
Adjustment to Annual Required Contribution	(28,000)
<b>Annual OPEB Cost (Expense)</b>	1,287,000
Contribution Toward the OPEB Cost	(659,000)
<b>Increase in Net OPEB Obligation</b>	628,000
Net OPEB Obligation, Beginning of Year	746,000
Actuarial Adjustment to Beginning Net OPEB Obligation	78,000
<b>Net OPEB Obligation, End of Year</b>	<b>\$1,452,000</b>

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	1,384,000	46.1%	746,000
2008-09	1,287,000	51.2%	1,452,000

*Funded Status and Funding Progress.* As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$19,162,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$19,162,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$60,645,991 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.6 percent.

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 healthcare 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. The Schedule of Funding Progress, presented as required supplementary information following the notes to

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financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* 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 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 University'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, 2009, and the estimated 2008-09 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, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for employees covered by Medicare was 9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 28 years.

**Other Noncurrent Liabilities.** Represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or have excess cash in the loan program. Federal capital contributions held by the University totaled \$1,635,370 at June 30, 2009.

## **9. RETIREMENT PROGRAMS**

**Florida Retirement System.** Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS 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. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a

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defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested 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; however, there is a benefit reduction 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.

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.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 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
Teacher's Retirement System, Plan E	6.25	11.35
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 University'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 University. The University's contributions, including employee contributions, for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$2,747,147, \$2,787,154, and \$2,885,294, respectively, which were equal to the required contributions for each fiscal year.

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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. University 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, Senior Management Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the PEORP vest at one year of service. There were 96 University participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$322,127.

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.

**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 438 University participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$2,609,769 and employee contributions totaled \$1,409,230.

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**10. CONSTRUCTION COMMITMENTS**

The University's major construction commitments at June 30, 2009, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Science and Technology Building	\$ 31,644,532	\$ 15,135,777	\$ 16,508,755
Utilities and Infrastructure Projects	14,250,000	9,725,944	4,524,056
Student Health and Wellness Center	4,600,000	78,607	4,521,393
Natatorium Renovation	4,126,000	54,603	4,071,397
College of Business Education Center	4,000,000	19,593	3,980,407
Repairs and Maintenance Projects	2,221,410	1,016,338	1,205,072
Building 54 Renovation	560,000	177,297	382,703
Historic Barkley House	550,000	342,840	207,160
<b>Total</b>	<b>\$ 61,951,942</b>	<b>\$ 26,550,999</b>	<b>\$ 35,400,943</b>

**11. OPERATING LEASE COMMITMENTS**

The University leased buildings and equipment under operating leases, which expire in fiscal year 2016. These leased assets and the related commitments are not reported on the University's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2010	\$ 252,857
2011	231,135
2012	196,068
2013	92,852
2014	77,766
2015-2016	18,255
<b>Total Minimum Payments Required</b>	<b>\$ 868,933</b>

**12. OTHER COMMITMENTS**

The University executed an agreement with a software company on February 11, 2003, subsequently amended on March 1, 2004, which allows the University to purchase maintenance, improvements, and enhancements for, and new releases of, specified software systems during the period March 1, 2003, through February 28, 2013. The University paid a total of \$160,317 in fees under the agreement during the 2008-09 fiscal year. Fees for each subsequent contract year may increase by up to 4 percent over the fees for the

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**JUNE 30, 2009**

immediate preceding contract year through the term of the agreement. Minimum future fee payments under the agreement total \$648,580.

**13. RISK MANAGEMENT PROGRAMS**

The University 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 University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2008-09 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 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 fiscal years.

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

**14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function

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is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 44,152,381
Research	4,162,513
Public Services	9,168,623
Academic Support	15,281,475
Student Services	7,931,564
Institutional Support	20,486,096
Operation and Maintenance of Plant	9,832,117
Scholarships and Fellowships	12,985,429
Depreciation	8,874,836
Auxiliary Enterprises	8,317,071
<b>Total Operating Expenses</b>	<b><u><u>\$ 141,192,105</u></u></b>

**15. COMPONENT UNITS**

The University has two component units as discussed in note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

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**JUNE 30, 2009**

	University of West Florida Foundation, Inc. 06-30-09	West Florida Historic Preservation, Inc. 06-30-09	Total
<b>Condensed Statement of Net Assets</b>			
Assets:			
Current Assets	\$ 5,703,112	\$ 1,862,392	\$ 7,565,504
Capital Assets, Net	30,212,431	3,338,500	33,550,931
Other Noncurrent Assets	75,985,057	684	75,985,741
<b>Total Assets</b>	<b>111,900,600</b>	<b>5,201,576</b>	<b>117,102,176</b>
Liabilities:			
Current Liabilities	1,966,795	30,730	1,997,525
Noncurrent Liabilities	43,813,896		43,813,896
<b>Total Liabilities</b>	<b>45,780,691</b>	<b>30,730</b>	<b>45,811,421</b>
Net Assets:			
Investment in Capital Assets, Net of Related Debt		3,338,500	3,338,500
Restricted	56,577,544	167,484	56,745,028
Unrestricted	9,542,365	1,664,862	11,207,227
<b>Total Net Assets</b>	<b>\$ 66,119,909</b>	<b>\$ 5,170,846</b>	<b>\$ 71,290,755</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>			
Operating Revenues	\$ 8,415,017	\$ 388,343	\$ 8,803,360
Operating Expenses	6,977,086	390,227	7,367,313
<b>Operating Income (Loss)</b>	<b>1,437,931</b>	<b>(1,884)</b>	<b>1,436,047</b>
Net Nonoperating Revenues (Expenses)	(16,276,302)	38,646	(16,237,656)
Other Revenues or Gains	1,134,137	2,117,451	3,251,588
<b>Increase (Decrease) in Net Assets</b>	<b>(13,704,234)</b>	<b>2,154,213</b>	<b>(11,550,021)</b>
Net Assets, Beginning of Year	79,681,579	3,016,633	82,698,212
Adjustment to Beginning Net Assets (1)	142,564		142,564
<b>Net Assets, Beginning of Year, as Restated</b>	<b>79,824,143</b>	<b>3,016,633</b>	<b>82,840,776</b>
<b>Net Assets, End of Year</b>	<b>\$ 66,119,909</b>	<b>\$ 5,170,846</b>	<b>\$ 71,290,755</b>

Note: (1) The Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, as of July 1, 2008. The cumulative effect of the adoption of the fair value option required a restatement of beginning net assets.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b) (2)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$ -	\$ 20,718,000	\$ 20,718,000	0%	\$ 59,873,420	34.6%
(1)	\$ -	\$ 19,162,000	\$ 19,162,000	0%	\$ 60,645,991	31.6%

Notes: (1) The most recent actuarial valuation was July 1, 2007. An update, dated October 14, 2008, took into account anticipated PPO cost increases, HMO cost increases, and retiree contribution increases used in the July 31, 2008, report on the Financial Outlook for the State Employees' Group Self-Insurance Trust Fund.

(2) The actuarial cost method used by the University is the entry-age actuarial cost method.



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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 financial statements of the University of West Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2009, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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 University's financial statements that is more than inconsequential will not be prevented or detected by the University'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 University'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 University'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, with which noncompliance 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, 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  
March 22, 2010