



AUDITOR GENERAL
DAVID W. MARTIN, CPA



UNIVERSITY OF WEST FLORIDA

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the University was Dr. John C. Cavanaugh. Members of the University's Board of Trustees who served during the audit period are listed below:

Board Member

Kenneth C. Clark, Chair
Honor M. Bell, Vice-Chair
Nancy Fetterman
Christina Genualdi to 4-30-07 (1)
Martha A. Gilluly
Jeanne Godwin
Dr. Jay Gould (2)
Sharon Hess Herrick
Retired General Charles A. Horner
April Jardine from 5-01-07 (1)
Catherine Kelly
J. Collier Merrill
Roy W. Smith, Jr.
J. T. Young

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

UNIVERSITY OF WEST FLORIDA

TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	v
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
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	3
Internal Control Over Financial Reporting	3
Compliance and Other Matters	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL SECTION	
Statement of Net Assets	13
Statement of Revenues, Expenses, and Changes in Net Assets	15
Statement of Cash Flows	16
Notes to Financial Statements	18

EXECUTIVE SUMMARY

The audit of the financial statements of the University of West Florida for the fiscal year ended June 30, 2007, was conducted pursuant to Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the University, a component unit of the State of Florida, and a determination as to whether management has complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the University is included in our Statewide audit of Federal awards administered by the State of Florida.

The following provides a summary of the findings of our audit of the University's financial statements:

- We found that the University's financial statements presented fairly, in all material respects, the financial positions of the University and its aggregate discretely presented component units as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- No significant deficiencies are noted in our report on the University's internal control over financial reporting.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was coordinated by Kenneth C. Danley, CPA, and supervised by James W. Kiedinger, Jr., CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

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



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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, 2007, as shown on pages 13 through 35. 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 solely upon the reports of the other auditors.

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

In our 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
March 19, 2008



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
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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, 2007, 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 purpose 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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA
March 19, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2007, 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 \$204.5 million at June 30, 2007. This balance reflects a \$17 million, or 9 percent, increase from the 2005-06 fiscal year, resulting primarily from an increase in Public Education Capital Outlay (PECO) appropriations due from the State for the construction of the Science and Technology Building and various other construction projects. While assets grew significantly, liabilities increased only slightly. As a result, the University's net assets increased by \$16.9 million, reaching a year-end balance of \$176.7 million.

The University's operating revenues totaled \$48.4 million for the 2006-07 fiscal year, while operating expenses totaled \$143.5 million. Neither operating revenues nor operating expenses varied significantly from the preceding fiscal year.

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.
- Research Foundation of the University of West Florida, 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. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

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)		
	<u>2007</u>	<u>2006</u>
Assets		
Current Assets	\$ 64,911	\$ 48,997
Capital Assets, Net	132,907	135,391
Other Noncurrent Assets	<u>6,691</u>	<u>3,126</u>
Total Assets	<u>204,509</u>	<u>187,514</u>
Liabilities		
Current Liabilities	11,244	10,410
Noncurrent Liabilities	<u>16,554</u>	<u>17,275</u>
Total Liabilities	<u>27,798</u>	<u>27,685</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	127,392	128,566
Restricted	25,442	13,738
Unrestricted	<u>23,877</u>	<u>17,525</u>
Total Net Assets	<u>\$ 176,711</u>	<u>\$ 159,829</u>

The increase in total assets was primarily attributable to \$22.5 million of Public Education Capital Outlay appropriations due from the State for the construction of the Science and Technology Building and various other construction projects.

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 2006-07 and 2005-06 fiscal years:

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

	<u>2006-07</u>	<u>2005-06</u>
Operating Revenues	\$ 48,368	\$ 49,002
Operating Expenses	<u>143,482</u>	<u>145,067</u>
Operating Loss	(95,114)	(96,065)
Net Nonoperating Revenues	<u>89,223</u>	<u>90,353</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	(5,891)	(5,712)
Other Revenues, Expenses, Gains, or Losses	<u>22,773</u>	<u>7,279</u>
Net Increase in Net Assets	16,882	1,567
Net Assets, Beginning of Year	<u>159,829</u>	<u>158,262</u>
Net Assets, End of Year	<u>\$ 176,711</u>	<u>\$ 159,829</u>

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 2006-07 and 2005-06 fiscal years:

**Operating Revenues
(In Thousands)**

	<u>2006-07</u>	<u>2005-06</u>
Net Tuition and Fees	\$24,635	\$24,619
Grants and Contracts	16,348	16,346
Sales and Services of Educational Departments	142	195
Sales and Services of Auxiliary Enterprises	5,891	6,067
Other	<u>1,352</u>	<u>1,775</u>
Total Operating Revenues	<u>\$48,368</u>	<u>\$49,002</u>

There were no significant variances in operating revenues between the two fiscal years.

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 2006-07 and 2005-06 fiscal years:

Operating Expenses (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Compensation and Employee Benefits	\$ 85,751	\$ 81,940
Services and Supplies	33,072	36,857
Utilities and Communications	4,144	4,377
Scholarships, Fellowships, and Waivers	11,463	11,144
Depreciation	<u>9,052</u>	<u>10,749</u>
Total Operating Expenses	<u>\$ 143,482</u>	<u>\$ 145,067</u>

The change in University operating expenses was the result of the following factors:

- The \$3.8 million increase in compensation and employee benefits was due to a 3 percent across the board salary increase effective October 1, 2006, increases in the cost of retirement and other benefits, and the efforts of University management to bring faculty and staff salaries up to prevailing market rates.
- The \$3.8 million decrease in services and supplies expense was due, in large part, to a decline in hurricane recovery costs incurred by the University.
- During the 2005-06 fiscal year, the University made adjustments to increase depreciation expenses to correct the accumulated depreciation balance. No such adjustments were needed during the 2006-07 fiscal year resulting in the \$1.7 million decrease in depreciation expenses.

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 2006-07 and 2005-06 fiscal years:

Nonoperating Revenues (Expenses) (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 72,388	\$ 71,270
Federal and State Student Financial Aid	14,725	13,099
Noncapital Grants, Contracts, and Donations	1,027	5,042
Investment Income	2,041	603
Other Nonoperating Revenues		767
Loss on Disposal of Capital Assets	(194)	(133)
Interest on Capital Asset-Related Debt	(451)	(295)
Other Nonoperating Expenses	<u>(313)</u>	
Net Nonoperating Revenues	<u><u>\$ 89,223</u></u>	<u><u>\$ 90,353</u></u>

Nonoperating revenue changes were primarily the result of the following factors:

- State appropriations, net of a \$4.9 million nonrecurring appropriation for hurricane recovery received by the University in the 2005-06 fiscal year, increased \$6 million. An increase of \$2.3 million was due to nonrecurring funds allocated to the University's Emerald Coast campus. The remaining \$3.7 million increase resulted primarily from an increase in the general revenue appropriation.
- Federal and State student financial aid increased because of additional funding for Bright Futures Scholarships, Florida Student Assistance Grants, and First Generation Matching Grants as well as the University's participation in two new programs, the Academic Competitiveness Grant and the National Smart Grant.
- The noncapital grants, contracts, and donations amounts for both fiscal years resulted from the receipt of Federal grant funds for use in hurricane recovery. The bulk of these funds were received in the 2005-06 fiscal year.

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 2006-07 and 2005-06 fiscal years:

Other Revenues, Expenses, Gains, or Losses (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 22,136	\$ 6,543
Capital Grants, Contracts, Donations, and Fees	<u>637</u>	<u>736</u>
Total	<u><u>\$ 22,773</u></u>	<u><u>\$ 7,279</u></u>

The increase in capital appropriations revenue is directly attributable to an increase in Public Education Capital Outlay appropriations for the construction of the Science and Technology Building and various other construction projects.

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 2006-07 and 2005-06 fiscal years:

Condensed Statement of Cash Flows (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Cash Provided (Used) by:		
Operating Activities	\$ (83,900)	\$ (84,343)
Noncapital Financing Activities	88,226	90,487
Capital and Related Financing Activities	(909)	(2,834)
Investing Activities	32	(3,344)
	<u>3,449</u>	<u>(34)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,449	(34)
Cash and Cash Equivalents, Beginning of Year	4,510	4,544
	<u>4,510</u>	<u>4,510</u>
Cash and Cash Equivalents, End of Year	\$ 7,959	\$ 4,510

Major sources of funds came from State appropriations (\$72.4 million), net student tuition and fees (\$24.6 million), capital appropriations (\$22.1 million), grants and contracts (\$16.7 million), Federal and State student financial aid (\$14.7 million), and sales and services of auxiliary enterprises (\$5.9 million).

The increase in cash and cash equivalents is due to the following:

- The decrease in cash flows from noncapital financing activities is primarily due to a \$4 million decrease in Federal grants related to hurricane recovery offset by a net \$2.7 million increase in State appropriations and Federal and State student financial aid.
- The decrease in funds used by capital financing activities is due to the receipt of \$7 million in capital appropriations in the 2006-07 fiscal year compared to the receipt of \$1.4 million in capital appropriations and \$4.2 million from the issuance of new capital debt in the prior fiscal year.
- The University receives a competitive rate of interest on funds held in its local bank accounts, and thus, investing activity shows a decline from the previous fiscal year.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the University had \$243.3 million in capital assets, less accumulated depreciation of \$110.4 million, for net capital assets of \$132.9 million. Depreciation charges for the current fiscal year totaled \$9.1 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30		
(In Thousands)		
	2007	2006
Land	\$ 9,606	\$ 9,606
Buildings	75,656	79,092
Construction in Progress	593	309
Infrastructure and Other Improvements	18,632	18,860
Furniture and Equipment	12,744	11,616
Library Resources	5,280	5,715
Property Under Capital Lease and Leasehold Improvements	557	754
Works of Art and Historical Treasures	9,500	9,439
Computer Software	339	
Total Capital Assets, Net	\$ 132,907	\$ 135,391

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2007, were incurred on the Science and Technology Building and the Childcare Center. A summary of the University's capital commitments at June 30, 2007, is as follows:

	Amount (In Thousands)
Total Commitment	\$ 36,977
Completed to Date	(12,327)
Balance Committed	\$ 24,650

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

DEBT ADMINISTRATION

As of June 30, 2007, the University had \$9 million in outstanding bonds and capital leases, representing a decrease of \$1.4 million, or 13 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

	<u>2007</u>	<u>2006</u>
Bonds Payable	\$ 7,926	\$ 8,258
Capital Leases	<u>1,116</u>	<u>2,119</u>
Total	<u><u>\$ 9,042</u></u>	<u><u>\$ 10,377</u></u>

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 comprise approximately 52 percent of the University’s operating and nonoperating revenues and are the largest single source of funding. Current economic conditions in the State have forced a reduction in 2007-08 appropriations, and additional reductions are anticipated. Significant nonrecurring dollars were appropriated by the Legislature for the 2007-08 fiscal year to help the universities during this temporary economic downturn. 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.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and in the financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, University of West Florida, 11000 University Parkway, Pensacola, Florida 32514.

FINANCIAL SECTION

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2007

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,159,875.25	\$ 997,908.00
Investments	32,195,904.80	625,345.00
Accounts Receivable, Net	5,903,151.12	3,368,987.00
Loans and Notes Receivable, Net	148,520.08	4,437,132.00
Due from State	22,503,414.16	
Inventories		6,080.00
Other Current Assets		59,637.00
	Total Current Assets	9,495,089.00
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,799,363.41	8,502,867.00
Restricted Investments		63,649,612.00
Loans and Notes Receivable, Net	2,842,057.84	
Depreciable Capital Assets, Net	113,208,802.20	27,819,034.00
Nondepreciable Capital Assets	19,698,475.81	5,318,637.00
Other Noncurrent Assets	49,487.97	13,764,022.00
	Total Noncurrent Assets	119,054,172.00
	TOTAL ASSETS	\$ 128,549,261.00
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,656,875.01	\$ 632,276.00
Construction Contracts Payable	790,265.78	
Salaries and Wages Payable	3,397,303.68	160,792.00
Deposits Payable	1,081,562.83	
Due to State	767,122.05	
Deferred Revenue	108,735.26	12,897.00
Long-Term Liabilities - Current Portion:		
Bonds Payable	381,354.80	830,000.00
Certificates of Participation Payable		776,771.00
Capital Leases Payable	1,027,424.51	
Compensated Absences Payable	1,032,890.34	
	Total Current Liabilities	2,412,736.00

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2007

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 7,544,300.39	\$ 41,604,072.00
Capital Leases Payable	88,103.98	
Compensated Absences Payable	8,921,831.35	
Other Noncurrent Liabilities		241,487.00
	16,554,235.72	41,845,559.00
Total Noncurrent Liabilities		
	27,797,769.98	44,258,295.00
TOTAL LIABILITIES		
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	127,392,000.51	1,644,380.00
Restricted for Nonexpendable:		
Endowment		40,601,525.00
Restricted for Expendable:		
Loans	3,639,195.99	
Capital Projects	20,691,395.15	
Other	1,111,347.37	30,946,867.00
Unrestricted	23,877,343.64	11,098,194.00
	176,711,282.66	84,290,966.00
TOTAL NET ASSETS		
	\$ 204,509,052.64	\$ 128,549,261.00

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, 2007

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$9,704,087	\$ 24,635,011.23	\$
Federal Grants and Contracts	13,190,757.39	
State and Local Grants and Contracts	2,604,345.72	
Nongovernmental Grants and Contracts	552,814.11	
Sales and Services of Educational Departments	142,367.81	
Sales and Services of Auxiliary Enterprises	5,891,287.15	
Sales and Services of Component Units		45,638.00
Gifts and Donations		7,203,357.00
Interest on Loans and Notes Receivable	54,943.90	
Other Operating Revenues	1,296,527.17	6,735,966.00
Total Operating Revenues	<u>48,368,054.48</u>	<u>13,984,961.00</u>
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	85,751,234.12	2,807,171.00
Services and Supplies	33,072,465.79	4,060,236.00
Utilities and Communications	4,143,652.13	648,314.00
Scholarships, Fellowships, and Waivers	11,463,212.41	1,014,048.00
Depreciation	9,051,696.70	1,417,178.00
Total Operating Expenses	<u>143,482,261.15</u>	<u>9,946,947.00</u>
Operating Income (Loss)	<u>(95,114,206.67)</u>	<u>4,038,014.00</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	72,388,467.00	
Federal and State Student Financial Aid	14,725,160.12	
Noncapital Grants, Contracts, and Donations	1,026,832.64	
Investment Income	2,041,037.52	10,890,976.00
Loss on Disposal of Capital Assets	(194,119.65)	
Interest on Capital Asset-Related Debt	(450,582.72)	(2,133,190.00)
Other Nonoperating Expenses	(313,182.35)	(86,571.00)
Net Nonoperating Revenues	<u>89,223,612.56</u>	<u>8,671,215.00</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(5,890,594.11)</u>	<u>12,709,229.00</u>
Capital Appropriations	22,135,743.00	
Capital Grants, Contracts, Donations, and Fees	637,354.93	1,150,000.00
Additions to Permanent Endowments		1,675,461.00
Increase in Net Assets	<u>16,882,503.82</u>	<u>15,534,690.00</u>
Net Assets, Beginning of Year	<u>159,828,778.84</u>	<u>68,756,276.00</u>
Net Assets, End of Year	<u>\$ 176,711,282.66</u>	<u>\$ 84,290,966.00</u>

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 (Continued)
For the Fiscal Year Ended June 30, 2007**

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (95,114,206.67)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,051,696.70
Change in Assets and Liabilities:	
Accounts Receivable, Net	863,111.78
Loans and Notes Receivable, Net	346,596.50
Accounts Payable	(47,109.02)
Salaries and Wages Payable	314,268.31
Deposits Payable	17,924.42
Compensated Absences Payable	745,574.84
Deferred Revenue	(77,547.29)
	\$ (83,899,690.43)

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, 2007

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, and is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the State's 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 Florida law, State Board of Education rules, and Board of Governors regulations. The Trustees select the University President and the State Board of Education ratifies the candidate selected. 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:

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

- 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 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 Research Foundation of the University of West Florida, Inc. (Research Foundation), was organized for the purpose of promotion and encouragement of and assistance to the research activities of the University's faculty, staff, and students. The Research Foundation provides a means by which inventions and copyrightable materials may be developed, patented, applied, and utilized so that the results of University research are made available to the public and funds from inventions and copyrightable materials are made available to support education and research of the University.
- 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 reports are 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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

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 Research Foundation of the University of West Florida, Inc., and the West Florida Historic Preservation, Inc., follow 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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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.

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

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

Capital assets of the University of West Florida Foundation, Inc., consist of land, construction in progress, buildings and improvements, 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.

Capital assets of the West Florida Historic Preservation, Inc., consist of land, 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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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 \$400 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, capital leases payable, and compensated absences payable 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. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists 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.

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. 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; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

recognized rating agency; and other investments approved by the University’s Board of Trustees as authorized by law.

External Investment Pool

The University reported investments at fair value totaling \$32,195,904.80 at June 30, 2007, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share in the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor’s and had an effective duration of 3.21 years at June 30, 2007. 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 the financial statements of the State’s Comprehensive Annual Financial Report.

Component Unit Investments

Investments held by the University of West Florida Foundation, Inc., at June 30, 2007, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Bonds and Notes	\$ 22,439,321.00
Stocks and Other Equity Securities	41,056,464.00
Certificates of Deposit	625,345.00
Money Market and Mutual Funds	153,827.00
Total	<u><u>\$ 64,274,957.00</u></u>

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. As of June 30, 2007, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 4,108,782.39
Student Tuition and Fees	1,509,998.63
Other	284,370.10
Total Accounts Receivable, Net	<u><u>\$ 5,903,151.12</u></u>

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

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

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management’s best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$1,067,588.70 and \$115,420.33, respectively, at June 30, 2007.

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

5. DUE FROM STATE

This is the amount of Public Education Capital Outlay allocation and State University System Improvement Revenue Bond proceeds due to the University for construction of University facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 9,605,539.31	\$	\$	\$	\$ 9,605,539.31
Works of Art and Historical Treasures	9,439,285.00		60,995.00		9,500,280.00
Construction in Progress	308,934.37		1,798,616.94	1,514,894.81	592,656.50
Total Nondepreciable Capital Assets	\$ 19,353,758.68	\$	\$ 1,859,611.94	\$ 1,514,894.81	\$ 19,698,475.81
Depreciable Capital Assets:					
Buildings	\$ 124,730,126.76	\$	\$ 1,412,368.69	\$ 1,466,536.32	\$ 124,675,959.13
Infrastructure and Other Improvements	27,156,608.25		847,732.84		28,004,341.09
Furniture and Equipment (1)	37,182,691.73	(1,068,023.26)	5,151,580.04	2,080,181.86	39,186,066.65
Library Resources	28,931,768.25		1,024,744.31	1,001,769.63	28,954,742.93
Property Under Capital Lease and Leasehold Improvements	1,454,448.35		58,334.70		1,512,783.05
Computer Software (1)		1,068,023.26	178,373.66	4,090.00	1,242,306.92
Total Depreciable Capital Assets	219,455,643.34		8,673,134.24	4,552,577.81	223,576,199.77
Less, Accumulated Depreciation:					
Buildings	45,638,139.64		3,455,574.11	73,603.88	49,020,109.87
Infrastructure and Other Improvements	8,296,422.63		1,075,788.25		9,372,210.88
Furniture and Equipment (1)	25,566,207.74	(737,956.93)	3,110,000.02	1,496,824.43	26,441,426.40
Library Resources	23,216,856.60		986,282.96	528,551.00	23,674,588.56
Property Under Capital Lease and Leasehold Improvements	700,852.40		255,273.54		956,125.94
Computer Software (1)		737,956.93	168,777.82	3,798.83	902,935.92
Total Accumulated Depreciation	103,418,479.01		9,051,696.70	2,102,778.14	110,367,397.57
Total Depreciable Capital Assets, Net	\$ 116,037,164.33	\$	\$ (378,562.46)	\$ 2,449,799.67	\$ 113,208,802.20

Note: (1) Adjustments made to reclassify computer software.

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

7. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2007, include bonds, capital leases, and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 8,257,959.43	\$	\$ 332,304.24	\$ 7,925,655.19	\$ 381,354.80
Capital Leases Payable	2,119,126.14		1,003,597.65	1,115,528.49	1,027,424.51
Compensated Absences Payable	9,209,146.85	1,531,521.19	785,946.35	9,954,721.69	1,032,890.34
Total Long-Term Liabilities	\$ 19,586,232.42	\$ 1,531,521.19	\$ 2,121,848.24	\$ 18,995,905.37	\$ 2,441,669.65

Bonds Payable. State University System bonds were issued to construct various University facilities. These bonds are secured by 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.

The University had the following bonds payable outstanding at June 30, 2007:

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
State University System				
Revenue Bonds:				
1997A Series	\$ 1,258,740.30	\$ 1,032,927.28	4.50 - 5.00	2016
1998 Series	2,231,366.56	1,662,964.98	4.10 - 5.00	2023
2001 Series	904,778.33	765,629.06	4.00 - 5.00	2026
2003A Series	792,411.19	481,575.25	5.00	2013
2005A Series	568,954.84	522,821.45	3.625 - 4.125	2022
2006A Series	3,532,069.61	3,459,737.17	4.00 - 5.00	2030
Total	\$ 9,288,320.83	\$ 7,925,655.19		

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

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 377,167.79	\$ 368,210.06	\$ 745,377.85
2009	384,989.72	352,007.41	736,997.13
2010	406,352.45	334,626.54	740,978.99
2011	424,214.21	316,207.06	740,421.27
2012	442,776.54	297,337.18	740,113.72
2013-2017	2,066,289.67	1,182,821.80	3,249,111.47
2018-2022	1,806,032.63	741,089.61	2,547,122.24
2023-2027	1,290,877.34	339,960.24	1,630,837.58
2028-2030	669,571.50	68,047.90	737,619.40
Subtotal	7,868,271.85	4,000,307.80	11,868,579.65
Net Bond Discounts, Premiums, and Losses on Bond Refundings	57,383.34		57,383.34
Total	<u>\$ 7,925,655.19</u>	<u>\$ 4,000,307.80</u>	<u>\$ 11,925,962.99</u>

Bonds and Certificates of Participation Payable – Component Units. A summary of the component units' bonds and certificates of participation payable as of June 30, 2007, 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	\$ 15,400,000.00	\$ 12,670,000.00	3.50 - 4.75	2028
1999	13,455,000.00	12,160,000.00	4.40 - 5.75	2031
Dormitory Refunding Revenue Bonds:				
2005	18,290,000.00	18,035,000.00	3.75 - 5.00	2031
Subtotal	47,145,000.00	42,865,000.00		
Less, Bond Discounts		430,928.00		
Total Revenue Bonds	47,145,000.00	42,434,072.00		
Certificates of Participation:				
2003	3,700,000.00	776,771.00	2.44	2008
Total Bonds and Certificates of Participation Payable	<u>\$ 50,845,000.00</u>	<u>\$ 43,210,843.00</u>		

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Maturities of the component units' bonds and certificates of participation are shown in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Revenue Bonds:			
2008	\$ 830,000.00	\$ 2,102,319.00	\$ 2,932,319.00
2009	865,000.00	2,065,089.00	2,930,089.00
2010	1,180,000.00	2,027,116.00	3,207,116.00
2011	1,235,000.00	1,976,239.00	3,211,239.00
2012	1,290,000.00	1,920,581.00	3,210,581.00
2013-2017	7,405,000.00	8,648,854.00	16,053,854.00
2018-2022	9,355,000.00	6,699,009.00	16,054,009.00
2023-2027	11,890,000.00	4,173,350.00	16,063,350.00
2028-2031	8,815,000.00	1,119,462.00	9,934,462.00
Subtotal	42,865,000.00	30,732,019.00	73,597,019.00
Less, Bond Discounts	430,928.00		430,928.00
Total Revenue Bonds	<u>42,434,072.00</u>	<u>30,732,019.00</u>	<u>73,166,091.00</u>
Certificates of Participation:			
2008	<u>776,771.00</u>	<u>10,305.00</u>	<u>787,076.00</u>
Total Bonds and Certificates of Participation Payable	<u>\$ 43,210,843.00</u>	<u>\$ 30,742,324.00</u>	<u>\$ 73,953,167.00</u>

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. Although defeased, the Dormitory Revenue Bonds, Series 1999, will not be retired until the date the bonds mature. At June 30, 2007, the outstanding balance of the defeased bonds was \$12,160,000, and assets held in escrow to pay the defeased bonds totaled approximately \$12 million.

Capital Leases Payable. Computer equipment and software in the amount of \$1,453,379.70 are being acquired under capital lease agreements. The stated interest rates range from 2.44 to 3.44 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2007, are as follows:

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

Fiscal Year Ending June 30	Foundation Lease-Purchase	Computer Equipment	Total
2008	\$ 787,075.54	\$ 258,410.48	\$ 1,045,486.02
2009		45,773.82	45,773.82
2010		45,773.81	45,773.81
Total Minimum Payments	787,075.54	349,958.11	1,137,033.65
Less, Amount Representing Interest	10,304.54	11,200.62	21,505.16
Present Value of Minimum Payments	\$ 776,771.00	\$ 338,757.49	\$ 1,115,528.49

The University entered into a financing arrangement on June 30, 2003, which arrangement was characterized as a lease-purchase agreement, with the University of West Florida Foundation, Inc. (Foundation). The University secured financing for certain software, costing \$683,800, and the services for installation, implementation and testing, costing \$3,016,194, as described in a contract between the University and a private software vendor dated February 11, 2003 (the Series 2003 Project), in the amount of \$3,700,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2003, by the Foundation, to be repaid from the proceeds of rents paid by the University.

As a condition of the financing arrangement, the University has given a ground lease on University property to the Foundation, with a rental fee of \$10 per year. The initial term of the ground lease commenced on June 26, 2003, and ends on the earlier of the date on which the Series 2003 Certificates have been paid or provision for their payment has been made, or June 30, 2009. The properties covered by the ground lease are leased back to the University. If the University fails to renew the lease and to provide for the rent payments through to term, the University may be required to surrender the property included under the ground lease for the benefit of the securers of the Series 2003 Certificates.

University property included in the ground lease under this financing arrangement includes:

- All computer equipment and any part of the software and licenses included in the Series 2003 Project (Premises).
- All property of the University upon which the Premises or the Series 2003 Project is located, together with any property reasonably needed for pedestrian and vehicular ingress, egress, and access to and from the Premises; together with any property upon which the Premises may be dependent upon for utility and other enjoyment of the Premises.

The lease payments are payable by the University monthly, on the first day of each month at an interest rate of 2.44 percent. Payments began on August 1, 2003, and continue for 60 months with the final payment due on June 30, 2008.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

In prior years, the University spent \$683,800 of the proceeds to purchase software that is recorded as an asset under capital lease. The remaining proceeds of \$3,016,200 were used to pay monthly implementation, support, and training costs, which the University elected to expense.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors Regulation 6C-5.920 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, 2007, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$9,954,721.69. 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.

8. RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the University are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

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 2006-07 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 post-employment 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, 2005, June 30, 2006, and June 30, 2007, totaled \$2,038,686, \$2,105,155, and \$2,747,147, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. 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, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 101 University participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$304,318.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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 494 University participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$2,961,711 and employee contributions totaled \$1,683,799.

9. POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2006-07 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in note 8.

Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2006-07 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

10. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2007, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Science and Technology Building	\$ 17,826,080.00	\$ 483,292.16	\$ 17,342,787.84
Utilities and Infrastructure Projects	12,500,000.00	9,637,828.37	2,862,171.63
Repairs and Maintenance Projects	3,151,824.00	2,183,303.83	968,520.17
Child Care Center	2,819,924.00	23,016.05	2,796,907.95
Field House Renovations - Phase I	679,238.00		679,238.00
Total	\$ 36,977,066.00	\$ 12,327,440.41	\$ 24,649,625.59

11. OPERATING LEASE COMMITMENTS

The University leased building space and equipment under operating leases, which expire in 2012. 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>
2008	\$ 298,331.42
2009	298,717.81
2010	256,382.47
2011	120,372.82
2012	12,053.76
Total Minimum Payments Required	\$ 985,858.28

12. OTHER COMMITMENTS

The University executed an agreement with a software company on February 11, 2003, which was 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 \$148,221 in fees under the agreement during the 2006-07 fiscal year. Fees for each subsequent contract year may increase by up to

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

4 percent over the fees for the immediate preceding contract year through the term of the agreement. Minimum future fee payments under the agreement total approximately \$904,000.

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 2006-07 fiscal year, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for wind and flood and \$5 million for perils other than wind and flood. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for wind, \$50 million for flood, and \$200 million for perils other than wind and flood; and losses exceeding those amounts were retained by the State. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

14. LITIGATION

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount
Instruction	\$ 42,907,120.22
Research	6,179,278.82
Public Service	7,445,877.46
Academic Support	15,825,870.92
Student Services	8,226,570.53
Institutional Support	21,302,804.26
Operation and Maintenance of Plant	11,380,039.28
Scholarships and Fellowships	11,463,212.41
Depreciation	9,051,696.70
Auxiliary Enterprises	9,682,901.13
Loan Operations	16,889.42
Total Operating Expenses	\$ 143,482,261.15

16. COMPONENT UNITS

The University has three component units as discussed in note 1. These component units represent 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:

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

	University of West Florida Foundation, Inc. 6-30-07	Research Foundation of the University of West Florida, Inc. 6-30-07	West Florida Historic Preservation, Inc. 6-30-07	Total
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 8,231,122	\$ 28,585	\$ 1,235,382	\$ 9,495,089
Capital Assets, Net	31,493,291		1,644,380	33,137,671
Other Noncurrent Assets	85,915,659		842	85,916,501
Total Assets	125,640,072	28,585	2,880,604	128,549,261
Liabilities:				
Current Liabilities	2,396,717		16,019	2,412,736
Noncurrent Liabilities	41,845,559			41,845,559
Total Liabilities	44,242,276		16,019	44,258,295
Net Assets:				
Investment in Capital Assets, Net of Related Debt			1,644,380	1,644,380
Restricted	71,397,762		150,630	71,548,392
Unrestricted	10,000,034	28,585	1,069,575	11,098,194
Total Net Assets	\$ 81,397,796	\$ 28,585	\$ 2,864,585	\$ 84,290,966
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 13,434,809	\$	\$ 550,152	\$ 13,984,961
Operating Expenses	9,446,390	11,023	489,534	9,946,947
Operating Income (Loss)	3,988,419	(11,023)	60,618	4,038,014
Net Nonoperating Revenues (Expenses)	8,725,185	33	(54,003)	8,671,215
Other Revenues or Gains	1,675,461		1,150,000	2,825,461
Increase (Decrease) in Net Assets	14,389,065	(10,990)	1,156,615	15,534,690
Net Assets, Beginning of Year	67,008,731	39,575	1,707,970	68,756,276
Net Assets, End of Year	\$ 81,397,796	\$ 28,585	\$ 2,864,585	\$ 84,290,966