

# UNIVERSITY OF WEST FLORIDA

---

## Financial Audit

For the Fiscal Year Ended  
June 30, 2010



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

Kenneth C. Clark, Chair  
Lewis Bear, Jr., from 3-19-10, Vice Chair from 6-03-10  
Roy W. Smith, Jr., Vice Chair to 3-05-10 (1) (2)  
Honor M. Bell to 3-05-10 (3)  
Amanda Clonts to 4-30-10 (4)  
Nancy A. Fetterman  
Joshua Finley from 5-01-10 (4)  
Martha A. Gilluly  
Jeanne Godwin  
Sharon Hess Herrick to 3-05-10 (3)  
General Charles A. Horner, Retired  
Robert L. Jones from 3-19-10  
Catherine Kelly to 9-18-09 (5)  
J. Collier Merrill  
John "Mort" O'Sullivan from 3-17-10  
Dr. Richie G. Platt (6)  
Bentina C. Terry from 1-07-10  
J. T. Young to 1-06-10

Dr. Judith A. Bense, President

- Notes: (1) Board member served beyond the end of term January 6, 2010. Position remained vacant from March 6, 2010, to March 16, 2010.
- (2) Vice Chair position remained vacant from March 6, 2010, to June 2, 2010.
- (3) Board member served beyond the end of term January 5, 2010. Position remained vacant from March 6, 2010, to March 18, 2010.
- (4) Student body president.
- (5) Position remained vacant from September 19, 2009, through June 30, 2010.
- (6) Faculty senate chair.

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.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**UNIVERSITY OF WEST FLORIDA  
TABLE OF CONTENTS**

	<b>PAGE NO.</b>
<b>EXECUTIVE SUMMARY</b> .....	i
<b>INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS</b> .....	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets .....	10
Statement of Revenues, Expenses, and Changes in Net Assets.....	12
Statement of Cash Flows.....	13
Notes to Financial Statements .....	15
<b>OTHER REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress – Other Postemployment Benefit Plan .....	32
Notes to Required Supplementary Information.....	33
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b> .....	
Internal Control Over Financial Reporting.....	34
Compliance and Other Matters .....	35

---

---

## EXECUTIVE SUMMARY

---

---

### 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, 2010. 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, in both 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. The results of our operational audit of the University are included in our report No. 2011-020.

### 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

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



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

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of 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, 2010, which collectively comprise the University's basic financial statements as shown on pages 10 through 31. 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, insofar as it relates to the amounts included for the aggregate discretely presented component units, 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, 2010, 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 discontinued reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds on the University's statement of net assets during the 2009-10 fiscal year. This change affects the comparability of amounts reported for the 2009-10 fiscal year with amounts reported for the 2008-09 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 9 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 32 and 33 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA  
February 11, 2011

## 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, 2010, 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 \$239.9 million at June 30, 2010. This balance reflects a \$6.2 million, or 2.5 percent decrease from June 30, 2009, resulting primarily from a decrease in Public Education Capital Outlay (PECO) appropriations due from the State. Liabilities decreased by \$12.2 million, or 33.6 percent, totaling \$24.1 million at June 30, 2010, compared to \$36.2 million at June 30, 2009. This decrease was primarily due to recording a change in reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds. Additional information on this prior period adjustment can be found in the accompanying notes to financial statements. The net result of these changes was a \$5.9 million increase in net assets, which reached a year-end balance of \$215.8 million.

The University's operating revenues totaled \$58.6 million for the 2009-10 fiscal year, representing a 14.5 percent increase over the 2008-09 fiscal year due mainly to an increase in net student tuition and fees and in State and local grants and contracts activity. Operating expenses totaled \$159.4 million for the 2009-10 fiscal year, representing an increase of 12.9 percent over the 2008-09 fiscal year primarily due to a \$5.4 million increase in noncapitalized expenses for repair, renovation, and maintenance of capital assets and a \$5.9 million increase in scholarships and fellowships expense.

### 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 at June 30**  
(In Thousands)

	2010	2009
<b>Assets</b>		
Current Assets	\$ 83,574	\$ 92,595
Capital Assets, Net	148,197	142,159
Other Noncurrent Assets	8,080	11,331
<b>Total Assets</b>	<b>239,851</b>	<b>246,085</b>
<b>Liabilities</b>		
Current Liabilities	9,836	14,209
Noncurrent Liabilities	14,220	22,019
<b>Total Liabilities</b>	<b>24,056</b>	<b>36,228</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	148,197	134,815
Restricted	21,328	37,330
Unrestricted	46,270	37,712
<b>Total Net Assets</b>	<b>\$ 215,795</b>	<b>\$ 209,857</b>

Current and noncurrent assets declined \$9 million and \$3.3 million, respectively, primarily because of collections on receivables and subsequent spending of these collections on current and capital activities. Construction on the Science and Technology Building, which was completed during the 2009-10 fiscal year, and other capital projects accounted for the increase in capital assets.

The decrease in current liabilities resulted from a decrease in construction contracts payable, as the Science and Technology Building neared completion, and final settlement of amounts due to the State for hurricane damages reimbursed by the Federal Emergency Management Agency. The decrease in noncurrent liabilities was attributable to recording a change in reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds. Additional information on this prior period adjustment can be found in the accompanying notes to financial statements.

**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 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
Operating Revenues	\$ 58,590	\$ 51,173
Operating Expenses	159,446	141,192
<b>Operating Loss</b>	(100,856)	(90,019)
Net Nonoperating Revenues	91,920	84,060
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	(8,936)	(5,959)
Other Revenues, Expenses, Gains, or Losses	5,115	18,126
<b>Net Increase (Decrease) In Net Assets</b>	(3,821)	12,167
Net Assets, Beginning of Year	209,857	197,690
Adjustments to Beginning Net Assets (1)	9,759	
<b>Net Assets, Beginning of Year, as Restated</b>	219,616	197,690
<b>Net Assets, End of Year</b>	\$ 215,795	\$ 209,857

Note: (1) As discussed in note 2 to the financial statements, the University's beginning net assets was increased to record a change in reporting bonds payable.

**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 2009-10 and 2008-09 fiscal years:

**Operating Revenues  
(In Thousands)**

	2009-10	2008-09
Net Tuition and Fees	\$ 35,481	\$ 30,782
Grants and Contracts	15,820	13,698
Sales and Services of Auxiliary Enterprises	5,057	4,502
Other Operating Revenues	2,232	2,191
<b>Total Operating Revenues</b>	\$ 58,590	\$ 51,173

Total operating revenues for the 2009-10 fiscal year were \$58.6 million, of which \$51.3 million was from gross student tuition and fees. Tuition allowances, 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 \$15.8 million. As a result, net student tuition and fees was \$35.5 million, which represents an increase of \$4.7 million, or 15.3 percent, over the 2008-09 fiscal year. This increase was due to increased student enrollment and higher tuition and fee rates. Increased activity with local school boards resulted in a \$2 million increase in State and local contracts and grants revenue.

### 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 2009-10 and 2008-09 fiscal years:

<b>Operating Expenses</b> (In Thousands)		
	<u>2009-10</u>	<u>2008-09</u>
Compensation and Employee Benefits	\$ 88,891	\$ 87,806
Services and Supplies	38,318	27,281
Utilities and Communications	4,540	4,245
Scholarships, Fellowships, and Waivers	18,856	12,985
Depreciation	8,841	8,875
<b>Total Operating Expenses</b>	<b><u>\$ 159,446</u></b>	<b><u>\$ 141,192</u></b>

The increase in services and supplies is primarily due to an increase in noncapitalized expenditures for repair, renovation, and maintenance of capital assets during the 2009-10 fiscal year. Scholarships and fellowships expense also increased significantly due to the increased availability of financial aid funds and an increase in the number of students eligible for such assistance.

### 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 2009-10 and 2008-09 fiscal years:

<b>Nonoperating Revenues (Expenses)</b> (In Thousands)		
	<u>2009-10</u>	<u>2008-09</u>
State Appropriations	\$ 56,924	\$ 65,007
Federal and State Student Financial Aid	25,290	17,986
State Appropriated American Recovery and Reinvestment Act Funds	4,516	
Noncapital Grants, Contracts, and Gifts	2,043	2,320
Investment Income	3,299	545
Other Nonoperating Revenues	116	382
Loss on Disposal of Capital Assets	(267)	(104)
Interest on Capital Asset-Related Debt	(1)	(441)
Other Nonoperating Expenses		(1,635)
<b>Net Nonoperating Revenues</b>	<b><u>\$ 91,920</u></b>	<b><u>\$ 84,060</u></b>

The State continued to experience reductions in revenue collections as a result of the weakened economic environment, and appropriations to the University for the 2009-10 fiscal year were accordingly less than in the prior fiscal year in spite of State appropriated American Reinvestment and Recovery Act funds of approximately \$4.5 million. The weakened economy also contributed to a rise in the number of students in need of and qualifying

for financial aid, and resultant changes in financial aid programs further contributed to the increase in this revenue category. Rebounding financial markets led to an increase in investment income and to an unrealized investment gain when certain investments were reported at fair market value at June 30, 2010.

### Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

#### Other Revenues, Expenses, Gains, or Losses (In Thousands)

	<u>2009-10</u>	<u>2008-09</u>
Capital Appropriations	\$ 4,723	\$ 17,617
Capital Grants, Contracts, Donations, and Fees	392	509
<b>Total</b>	<b><u>\$ 5,115</u></b>	<b><u>\$ 18,126</u></b>

The amount of capital appropriations, State appropriations specifically designated for the acquisition, construction, or improvement of capital assets, allocated to the University is totally dependent on the availability of funds for these purposes at the State level and can vary significantly from year to year.

### 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 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 2009-10 and 2008-09 fiscal years:

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

	<u>2009-10</u>	<u>2008-09</u>
Cash Provided (Used) by:		
Operating Activities	\$ (90,639)	\$ (79,111)
Noncapital Financing Activities	87,395	84,567
Capital and Related Financing Activities	4,712	7,356
Investing Activities	<u>(1,738)</u>	<u>(12,485)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(270)	327
Cash and Cash Equivalents, Beginning of Year	<u>7,976</u>	<u>7,649</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 7,706</u></b>	<b><u>\$ 7,976</u></b>

Major cash inflows came from State appropriations (\$61.6 million), net student tuition and fees (\$35.3 million), Federal and State student financial aid (\$25.3 million), capital appropriations (\$22.2 million), and grants and contracts (\$16 million). Major cash outflows were for payments made to and on behalf of employees totaling \$87.9 million,

payments to suppliers totaling \$42.2 million, payments to and on behalf of students for scholarships totaling \$18.9 million, and purchases of capital assets totaling \$17.8 million.

The increase in cash used for operating activities was a contributing factor in the reduction in investment activity and is primarily attributable to extensive amounts of non-capitalized repair and maintenance work done in the 2009-10 fiscal year as well as an increase in payments to students for scholarships and fellowships. A related increase in Federal and State student financial aid revenue accounted for the increase in net cash provided by noncapital financing activities. Capital and related financing activities for the 2008-09 fiscal year included issuance of capital debt, which was not repeated in the 2009-10 fiscal year.

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

#### CAPITAL ASSETS

At June 30, 2010, the University had \$280 million in capital assets, less accumulated depreciation of \$131.8 million, for net capital assets of \$148.2 million. Depreciation charges for the current fiscal year totaled \$8.8 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)

	2010	2009
Land	\$ 9,606	\$ 9,606
Buildings	92,251	71,146
Construction in Progress	1,674	18,353
Infrastructure and Other Improvements	16,226	16,885
Furniture and Equipment	12,385	10,098
Library Resources	5,076	5,324
Leasehold Improvements	13	69
Works of Art and Historical Treasures	10,644	10,209
Computer Software	322	469
<b>Capital Assets, Net</b>	<b>\$ 148,197</b>	<b>\$ 142,159</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, 2010, were primarily for construction of the Science and Technology Building (\$14.7 million). The University's major construction commitments at June 30, 2010, were as follows:

	Amount (In Thousands)
Total Committed	\$23,703
Completed to Date	(8,107)
<b>Balance Committed</b>	<b>\$15,596</b>

Additional information about the University's construction commitments 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, including \$4.5 million in State appropriated American Recovery and Reinvestment Act funds, currently comprise approximately 41 percent of the University's operating and net nonoperating revenues, down from 48 percent for the fiscal year ended June 30, 2009, and are the University's largest single source of funding. Prevailing economic weakness contributed to a significant reduction in the University's 2009-10 fiscal year State appropriations, and the University anticipates possible additional reductions in future years. 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 or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Colleen Asmus, 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, 2010**

	<u>University</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,199,119	\$ 4,505,494
Investments	59,985,385	1,231,334
Accounts Receivable, Net	5,363,259	2,262,401
Loans and Notes Receivable, Net	27,918	46,160
Due from State	15,987,711	
Inventories		103,620
Other Current Assets	10,813	102,975
<b>Total Current Assets</b>	<u>83,574,205</u>	<u>8,251,984</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,506,848	18,721,871
Restricted Investments		51,026,352
Loans and Notes Receivable, Net	2,573,400	
Depreciable Capital Assets, Net	126,273,725	27,259,444
Nondepreciable Capital Assets	21,923,154	16,637,853
Other Noncurrent Assets		1,073,790
<b>Total Noncurrent Assets</b>	<u>156,277,127</u>	<u>114,719,310</u>
<b>TOTAL ASSETS</b>	<u>\$ 239,851,332</u>	<u>\$ 122,971,294</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 3,062,515	\$ 3,616,662
Construction Contracts Payable	1,233,046	
Salaries and Wages Payable	4,015,750	
Deposits Payable	288,270	
Deferred Revenue	273,574	29,726
Long-Term Liabilities - Current Portion:		
Bonds Payable		1,427,000
Compensated Absences Payable	963,051	
<b>Total Current Liabilities</b>	<u>9,836,206</u>	<u>5,073,388</u>

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS (Continued)  
June 30, 2010**

	<b>University</b>	<b>Component Units</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	\$	\$ 42,068,392
Compensated Absences Payable	9,596,033	97,299
Other Postemployment Benefits Payable	3,032,000	
Other Noncurrent Liabilities	1,591,553	210,525
<b>Total Noncurrent Liabilities</b>	<b>14,219,586</b>	<b>42,376,216</b>
<b>TOTAL LIABILITIES</b>	<b>24,055,792</b>	<b>47,449,604</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	148,196,879	3,522,668
Restricted for Nonexpendable:		
Endowment		44,033,074
Restricted for Expendable:		
Loans	2,137,110	
Capital Projects	18,384,048	
Other	807,068	15,745,599
Unrestricted	46,270,435	12,220,349
<b>TOTAL NET ASSETS</b>	<b>215,795,540</b>	<b>75,521,690</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 239,851,332</b>	<b>\$ 122,971,294</b>

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, 2010**

	<b>University</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$15,820,211	\$ 35,481,301	\$
Federal Grants and Contracts	11,738,883	
State and Local Grants and Contracts	4,046,045	
Nongovernmental Grants and Contracts	34,427	
Gifts and Donations		1,901,546
Sales and Services of Auxiliary Enterprises	5,057,016	
Sales and Services of Component Units		90,871
Interest on Loans and Notes Receivable	65,203	
Other Operating Revenues	2,167,044	8,076,088
<b>Total Operating Revenues</b>	<b>58,589,919</b>	<b>10,068,505</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	88,890,562	1,778,823
Services and Supplies	38,317,780	3,098,680
Utilities and Communications	4,540,316	936,045
Scholarships, Fellowships, and Waivers	18,856,407	45,523
Depreciation	8,841,237	1,525,716
<b>Total Operating Expenses</b>	<b>159,446,302</b>	<b>7,384,787</b>
<b>Operating Income (Loss)</b>	<b>(100,856,383)</b>	<b>2,683,718</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	56,924,051	
Federal and State Student Financial Aid	25,290,403	
State Appropriated American Recovery and Reinvestment Act Funds	4,516,518	
Noncapital Grants, Contracts, and Gifts	2,043,046	
Investment Income	3,298,961	5,796,867
Other Nonoperating Revenues	115,562	
Loss on Disposal of Capital Assets	(266,791)	
Interest on Capital Asset-Related Debt	(967)	(2,126,157)
Other Nonoperating Expenses		(3,291,251)
<b>Net Nonoperating Revenues</b>	<b>91,920,783</b>	<b>379,459</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(8,935,600)</b>	<b>3,063,177</b>
Capital Appropriations	4,722,789	
Capital Grants, Contracts, Donations, and Fees	392,370	
Additions to Permanent Endowments		1,167,758
<b>Increase (Decrease) in Net Assets</b>	<b>(3,820,441)</b>	<b>4,230,935</b>
Net Assets, Beginning of Year	209,856,505	71,290,755
Adjustment to Beginning Net Assets	9,759,476	
<b>Net Assets, Beginning of Year, as Restated</b>	<b>219,615,981</b>	<b>71,290,755</b>
<b>Net Assets, End of Year</b>	<b>\$ 215,795,540</b>	<b>\$ 75,521,690</b>

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, 2010**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 35,295,980
Grants and Contracts	15,961,718
Sales and Services of Auxiliary Enterprises	5,037,016
Interest on Loans and Notes Receivable	46,040
Payments to Employees	(87,941,220)
Payments to Suppliers for Goods and Services	(42,163,293)
Payments to Students for Scholarships and Fellowships	(18,856,407)
Net Loans Issued to Students	91,091
Other Operating Receipts	1,889,705
<b>Net Cash Used by Operating Activities</b>	<b>(90,639,370)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	57,126,316
Federal and State Student Financial Aid	25,290,403
State Appropriated American Recovery and Reinvestment Act Funds	4,516,518
Noncapital Grants, Contracts, and Gifts	2,043,046
Net Change in Funds Held for Others	(1,653,269)
Other Nonoperating Receipts	71,745
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>87,394,759</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	22,153,282
Capital Grants, Contracts, Donations, and Fees	392,370
Purchase or Construction of Capital Assets	(17,787,376)
Principal Paid on Capital Debt and Leases	(44,806)
Interest Paid on Capital Debt and Leases	(967)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<b>4,712,503</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments, Net	(3,131,431)
Investment Income	1,393,765
<b>Net Cash Used by Investing Activities</b>	<b>(1,737,666)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	(269,774)
Cash and Cash Equivalents, Beginning of Year	7,975,741
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 7,705,967</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, 2010**

	<b>University</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (100,856,383)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,841,237
Change in Assets and Liabilities:	
Receivables, Net	(215,829)
Other Current Assets	(10,813)
Accounts Payable	711,977
Salaries and Wages Payable	(674,130)
Deposits Payable	(103,370)
Compensated Absences Payable	43,472
Deferred Revenue	44,469
Other Postemployment Benefits Payable	1,580,000
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (90,639,370)</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Unrealized gains on investments were recognized as additions 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.	\$ 1,887,201
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (266,791)

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, 2010**

**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 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 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.
- 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.

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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 Supplementary 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, 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 applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary*

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

*Fund Accounting*, has elected to apply only those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

Significant 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.

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, 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

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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
- 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.

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 compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year.

## **2. PRIOR PERIOD ADJUSTMENTS**

The University's beginning net assets was increased by \$9,759,476 to record a change in reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds. In prior fiscal years, the liability for these bonds was reported on the University's statement of net assets. It has subsequently been determined that these bonds are not debt of the University. Although proceeds from the bonds were provided to the University for capital projects, the University is not responsible for the repayment of the bonds. Repayment of the bonds is the responsibility of the Florida Board of Governors to be paid from

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

capital improvement fees collected by all universities and remitted in total to the Florida Department of Education.

### 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 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 \$59,977,940 at June 30, 2010, in the State Treasury Special Purpose Investment Account (SPIA) Investment Pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor's and had an effective duration of 1.81 years at June 30, 2010. 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.

#### **State Board of Administration Fund B Surplus Funds Trust Fund**

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund to 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 Florida PRIME investment pool, 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 Florida PRIME Investment Pool.

At June 30, 2010, the University reported investments at fair value of \$7,445 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 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 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, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

**Component Units Investments**

Investments held by the University of West Florida Foundation, Inc., and the West Florida Historic Preservation, Inc., at June 30, 2010, are reported at carrying value, which approximates fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Bonds and Notes	\$ 9,996,919
Stocks and Other Equity Securities	31,558,744
Real Estate and Investment Agreements	1,257,375
Certificates of Deposit	1,231,334
Money Market and Mutual Funds	<u>8,213,314</u>
<b>Total Component Unit Investments</b>	<b><u>\$ 52,257,686</u></b>

For the component units, except for the certificates of deposit, the investments are those reported by the University of West Florida Foundation, 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, 2010, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 2,940,721
Student Tuition and Fees	1,058,180
Other	<u>2,388,968</u>
<b>Total Accounts Receivable</b>	6,387,869
Less, Allowance for Doubtful Accounts	<u>1,024,610</u>
<b>Total Accounts Receivable, Net</b>	<b><u>\$ 5,363,259</u></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 \$1,024,610 and \$110,347, respectively, at June 30, 2010.

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, 2010**

**5. DUE FROM STATE**

This amount primarily consists of \$14,960,153 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, 2010, 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	10,209,269	434,370		10,643,639
Construction in Progress	18,352,895	10,553,294	27,232,213	1,673,976
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 38,167,703</b>	<b>\$ 10,987,664</b>	<b>\$ 27,232,213</b>	<b>\$ 21,923,154</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 127,153,881	\$ 24,348,999	\$ 1,991	\$ 151,500,889
Infrastructure and Other Improvements	28,219,860	394,300		28,614,160
Furniture and Equipment	40,583,896	5,999,197	2,437,062	44,146,031
Library Resources	30,587,963	956,723	232,049	31,312,637
Leasehold Improvements	270,648		211,245	59,403
Computer Software	2,413,005			2,413,005
<b>Total Depreciable Capital Assets</b>	<b>229,229,253</b>	<b>31,699,219</b>	<b>2,882,347</b>	<b>258,046,125</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	56,007,982	3,241,672		59,249,654
Infrastructure and Other Improvements	11,334,948	1,053,143		12,388,091
Furniture and Equipment	30,486,221	3,187,960	1,913,225	31,760,956
Library Resources	25,264,298	1,204,862	232,049	26,237,111
Leasehold Improvements	201,705	5,940	161,955	45,690
Computer Software	1,943,238	147,660		2,090,898
<b>Total Accumulated Depreciation</b>	<b>125,238,392</b>	<b>8,841,237</b>	<b>2,307,229</b>	<b>131,772,400</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 103,990,861</b>	<b>\$ 22,857,982</b>	<b>\$ 575,118</b>	<b>\$ 126,273,725</b>

**7. DEFERRED REVENUE**

Deferred revenue includes funds received prior to fiscal year-end for which the earnings process will be completed in subsequent accounting periods. As of June 30, 2010, the University reported deferred revenue of \$273,574.

**8. LONG-TERM LIABILITIES**

Long-term liabilities of the University at June 30, 2010, include compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable (1)	\$ 9,808,510	\$	\$ 9,808,510	\$	\$
Capital Leases Payable	44,806		44,806		
Compensated Absences Payable	10,515,612	975,426	931,954	10,559,084	963,051
Other Postemployment Benefits Payable	1,452,000	2,320,000	740,000	3,032,000	
Other Noncurrent Liabilities	1,635,370		43,817	1,591,553	
<b>Total Long-Term Liabilities</b>	<b>\$ 23,456,298</b>	<b>\$ 3,295,426</b>	<b>\$ 11,569,087</b>	<b>\$ 15,182,637</b>	<b>\$ 963,051</b>

Note: (1) The University recorded an adjustment to beginning net assets to recognize a change in reporting of bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds totaling \$9,759,476, which was net of deferred charges of \$49,034. See note 2 to the financial statements.

**Bonds Payable – Component Units.** A summary of the component units’ bonds payable as of June 30, 2010, is shown in the following table:

Bond Type and Series	Amount of Original Issue	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Revenue Bonds:				
Dormitory Revenue Bonds:				
1998	\$ 15,400,000	\$ 11,530,000	3.5 - 4.75	2028
2009	15,000,000	15,000,000	5.09	2029
Dormitory Refunding Revenue Bonds:				
2005	18,290,000	17,100,000	3.75 - 5.0	2031
<b>Subtotal</b>	<b>48,690,000</b>	<b>43,630,000</b>		
Less: Net Bond Discounts		134,608		
<b>Total Revenue Bonds</b>	<b>\$ 48,690,000</b>	<b>\$ 43,495,392</b>		

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

Fiscal Year Ending June 30	Principal	Interest	Total
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	1,704,000	1,810,932	3,514,932
2016-2020	9,804,000	7,781,675	17,585,675
2021-2025	12,356,000	5,227,340	17,583,340
2026-2030	12,424,000	1,969,227	14,393,227
2031	1,235,000	61,749	1,296,749
<b>Subtotal</b>	<b>43,630,000</b>	<b>24,808,447</b>	<b>68,438,447</b>
Less: Net Bond Discounts	134,608		134,608
<b>Total</b>	<b>\$ 43,495,392</b>	<b>\$ 24,808,447</b>	<b>\$ 68,303,839</b>

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

The 1998 Dormitory Revenue bonds, sponsored by Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities, as well as to refund approximately \$5.6 million from a 1997 bond issue.

The 2005 Dormitory Refunding Revenue bonds, sponsored by Escambia County Housing Finance Authority, were issued to refund approximately \$5.5 million from a 2002 bond issue and to defease approximately \$11.6 million from a 1999 bond issue for the purpose of consolidation and to achieve debt service coverage savings.

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.

The bonds are secured by mortgages on the student housing facilities in addition to a pledge of revenues earned from their operation.

**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, 2010, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$10,559,084. 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.

**Other Postemployment 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 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 (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.

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

*Funding Policy.* Plan benefits are pursuant to the 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 2009-10 fiscal year, 225 retirees received postemployment benefits. The University provided required contributions of \$740,000 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 \$1,224,000.

*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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 1,108,000
Amortization of Unfunded Actuarial Accrued Liability	1,113,000
Interest on Normal Cost and Amortization	89,000
<b>Annual Required Contribution</b>	2,310,000
Interest on Net OPEB Obligation	58,000
Adjustment to Annual Required Contribution	(48,000)
<b>Annual OPEB Cost (Expense)</b>	2,320,000
Contribution Toward the OPEB Cost	(740,000)
<b>Increase in Net OPEB Obligation</b>	1,580,000
Net OPEB Obligation, Beginning of Year	1,452,000
<b>Net OPEB Obligation, End of Year</b>	\$ 3,032,000

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, 2010, and for the transition and preceding years, were as follows:

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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
2009-10	2,320,000	31.9%	3,032,000

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$33,402,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$33,402,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$55,636,371 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60 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 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 OPEB actuarial valuation as of July 1, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the University's 2009-10 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for employees in the Preferred Provider Organization (PPO) plan was 10.32 percent and 8.84 percent for the first two years, followed by 7 percent in the third year, grading to 5.1 percent over 70 years. Initial healthcare cost trend rates for employees in the Health Maintenance Organization (HMO) plan was 10 percent for the first two years, 7 percent in the third year, grading to 5.1 percent over 70 years. The unfunded actuarial accrued liability is being amortized over

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 27 years.

**Other Noncurrent Liabilities.** Other noncurrent liabilities consist of 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 \$1,591,553 at June 30, 2010.

**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 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 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 2009-10 fiscal year were as follows:

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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, 2008, June 30, 2009, and June 30, 2010, totaled \$2,787,154, \$2,885,294, and \$2,864,253, respectively, which were equal to the required contributions for each fiscal year.

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 Service 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 85 University participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$306,022.

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.

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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 406 University participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$2,504,032 and employee contributions totaled \$1,315,093.

**10. CONSTRUCTION COMMITMENTS**

The University’s major construction commitments at June 30, 2010, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Utilities and Infrastructure Projects	\$ 8,992,660	\$ 5,120,708	\$ 3,871,952
Student Health and Wellness Center	4,600,000	599,578	4,000,422
Natorium Renovation	4,126,000	1,348,886	2,777,114
College of Business Education Center	4,000,000	252,556	3,747,444
Repairs and Maintenance Projects	1,584,280	690,977	893,303
Building 54 Renovation	400,000	94,146	305,854
<b>Total</b>	<b>\$ 23,702,940</b>	<b>\$ 8,106,851</b>	<b>\$ 15,596,089</b>

**11. 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 \$166,730 in fees under the agreement during the 2009-10 fiscal year. Fees for each subsequent contract year may increase by up to 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 \$541,283.

**12. 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(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers’ compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2009-10 fiscal year, for property losses, the State retained

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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 \$40 million for named wind and flood through February 14, 2010, and increased to \$58.75 million starting February 15, 2010. 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.

**13. 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:

UNIVERSITY OF WEST FLORIDA  
 A COMPONENT UNIT OF THE STATE OF FLORIDA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2010

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 47,444,402
Research	3,656,953
Public Services	9,593,758
Academic Support	15,326,075
Student Services	8,106,747
Institutional Support	28,945,456
Operation and Maintenance of Plant	10,003,295
Scholarships and Fellowships	18,856,407
Depreciation	8,841,237
Auxiliary Enterprises	<u>8,671,972</u>
<b>Total Operating Expenses</b>	<b><u>\$ 159,446,302</u></b>

#### 14. 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:

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

	University of West Florida Foundation, Inc. 6-30-10	West Florida Historic Preservation, Inc. 6-30-10	Total
<b>Condensed Statement of Net Assets</b>			
Assets:			
Current Assets	\$ 6,448,356	\$ 1,803,628	\$ 8,251,984
Capital Assets, Net	40,374,629	3,522,668	43,897,297
Other Noncurrent Assets	70,821,329	684	70,822,013
<b>Total Assets</b>	<b>117,644,314</b>	<b>5,326,980</b>	<b>122,971,294</b>
Liabilities:			
Current Liabilities	5,038,787	34,601	5,073,388
Noncurrent Liabilities	42,376,216		42,376,216
<b>Total Liabilities</b>	<b>47,415,003</b>	<b>34,601</b>	<b>47,449,604</b>
Net Assets:			
Invested in Capital Assets, Net of Related Debt		3,522,668	3,522,668
Restricted	59,608,723	169,950	59,778,673
Unrestricted	10,620,588	1,599,761	12,220,349
<b>Total Net Assets</b>	<b>\$ 70,229,311</b>	<b>\$ 5,292,379</b>	<b>\$ 75,521,690</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>			
Operating Revenues	\$ 9,626,895	\$ 441,610	\$ 10,068,505
Operating Expenses	(7,025,419)	(359,368)	(7,384,787)
<b>Operating Income</b>	<b>2,601,476</b>	<b>82,242</b>	<b>2,683,718</b>
Net Nonoperating Revenues	340,168	39,291	379,459
Other Revenues, Expenses, Gains, and Losses	1,167,758		1,167,758
<b>Increase in Net Assets</b>	<b>4,109,402</b>	<b>121,533</b>	<b>4,230,935</b>
Net Assets, Beginning of Year	66,119,909	5,170,846	71,290,755
<b>Net Assets, End of Year</b>	<b>\$ 70,229,311</b>	<b>\$ 5,292,379</b>	<b>\$ 75,521,690</b>

**UNIVERSITY OF WEST FLORIDA  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	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%
7/1/2009	\$	\$ 33,402,000	\$ 33,402,000	0%	\$ 55,636,371	60.0%

Note: (1) Entry-age cost actuarial method was used to estimate the actuarial accrued liability.

---

**UNIVERSITY OF WEST FLORIDA  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**

The 2009-10 fiscal year unfunded actuarial liability of \$33,402,000 was significantly higher than the 2008-09 fiscal year liability of \$20,718,000 as a result of changes in the long-term trend model, changes in the rates of decrement and mortality and the amortization factor, and changes in the coverage election assumption of future retirees from 35 percent to 50 percent to more closely reflect experience over the last two years.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited the 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, 2010, 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

We noted certain matters that we reported to University management in our operational report No. 2011-020.

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  
February 11, 2011