REPORT NO. 2015-046
NOVEMBER 2014

UNIVERSITY OF WEST FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Barbara J. Sturdivant, CPA, and the audit was supervised by James W. Kiedinger, Jr., CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

UNIVERSITY OF WEST FLORIDA
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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, 2014. 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.

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.

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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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

Report on the 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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a 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* in considering the University of West Florida's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
November 20, 2014

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, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2014, and June 30, 2013.

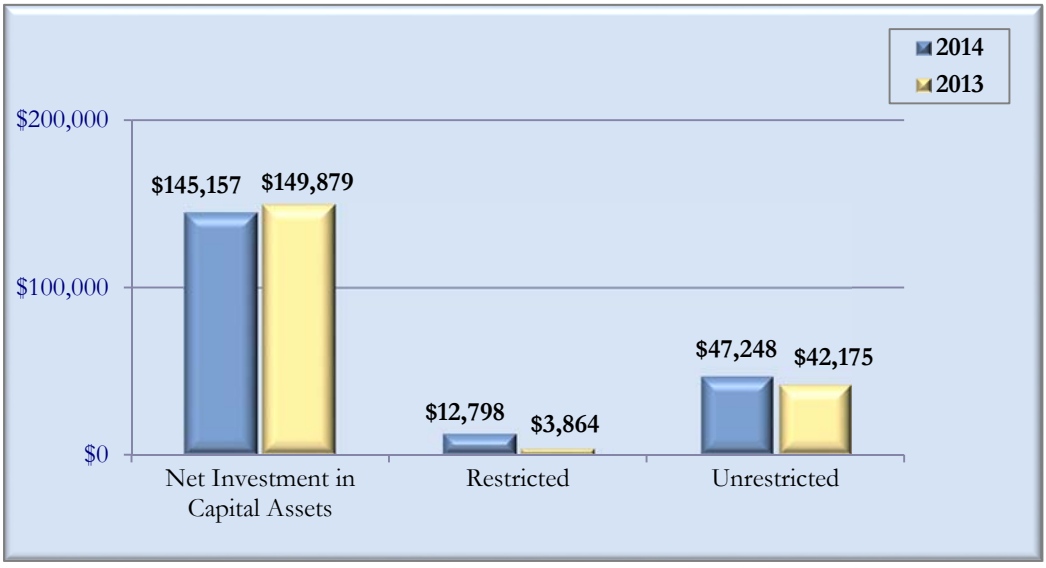
FINANCIAL HIGHLIGHTS

The University's assets totaled $268.7 million at June 30, 2014. This balance reflects a $23 million, or 9.3 percent, increase as compared to the 2012-13 fiscal year due to a significant increase in State noncapital appropriations, a portion of which was designed to fund initiatives that were incomplete at the end of the fiscal year, an additional influx of funds received under a grant from the State Economic Development Initiative (SEDI) in advance of the completion of performance criteria, and an increase in amounts due from the State for capital projects. The unearned revenue associated with the SEDI grant is the leading cause of an increase in liabilities over the preceding fiscal year of $13.7 million, or 27.5 percent, with liabilities totaling $63.5 million at June 30, 2014, as compared to $49.8 million at June 30, 2013. As total assets increased significantly more than total liabilities, the University's net position increased by $9.3 million, resulting in a year-end balance of $205.2 million.

The University's operating revenues totaled $84.7 million for the 2013-14 fiscal year, representing a 0.4 percent increase over the 2012-13 fiscal year due mainly to a modest increase in student tuition and fees. Operating expenses totaled $188.2 million for the 2013-14 fiscal year, representing an increase of 9.3 percent over the 2012-13 fiscal year due mainly to increases in employee compensation and benefits.

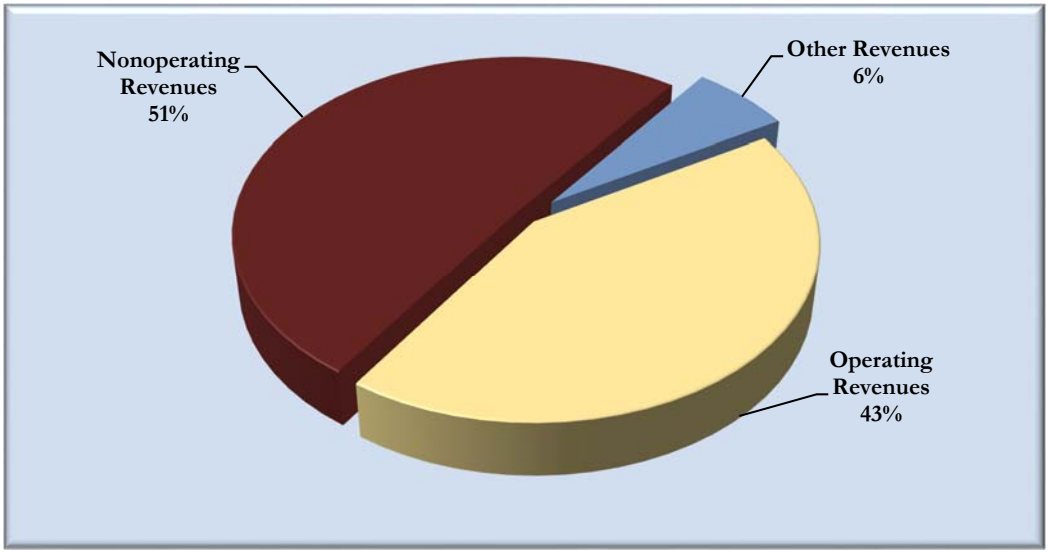
Net position represents the residual interest in the University's assets after deducting liabilities. The University's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2013-14 fiscal year:

Total Revenues



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; 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.
- UWF Business Enterprises, Inc.

Based upon the application of the criteria for determining component units, these component units are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports. The University of West Florida Foundation, Inc., reports under Financial Accounting Board Standards and, as such, does not include an MD&A in its audit report.

THE STATEMENT OF NET POSITION

The statement of net position 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. Assets less liabilities equal net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

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

Condensed Statement of Net Position at June 30
(In Thousands)

	2014	2013
Assets		
Current Assets	$ 118,354	$ 91,370
Capital Assets, Net	145,157	149,879
Other Noncurrent Assets	5,158	4,460
Total Assets	268,669	245,709
Liabilities		
Current Liabilities	14,816	10,903
Noncurrent Liabilities	48,650	38,888
Total Liabilities	63,466	49,791
Net Position		
Net Investment in Capital Assets	145,157	149,879
Restricted	12,798	3,864
Unrestricted	47,248	42,175
Total Net Position	$ 205,203	$ 195,918

The increase in current assets is due in part to an additional influx of funds received under a grant from the State Economic Development Initiative (SEDI) in advance of the completion of performance criteria. Also contributing to the increase in current assets was an increase in recurring and non-recurring State noncapital appropriations, a portion of which was designed to fund initiatives that were incomplete at the end of the fiscal year, and a $6 million increase in amounts due from the State for capital projects. Capital assets decreased as annual depreciation expense of $8.4 million exceeded additions to assets. The increase in current liabilities is mainly the result of unearned revenue associated with grants and contracts. As a result of these occurrences, restricted and unrestricted net position experienced increases.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position 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 2013-14 and 2012-13 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years
(In Thousands)

	2013-14	2012-13
Operating Revenues	$ 84,663	$ 84,358
Less, Operating Expenses	188,177	172,193
Operating Loss	(103,514)	(87,835)
Net Nonoperating Revenues	100,118	72,639
Loss Before Other Revenues, Expenses, Gains, or Losses	(3,396)	(15,196)
Other Revenues	12,681	247
Net Increase (Decrease) In Net Position	9,285	(14,949)
Net Position, Beginning of Year	195,918	210,867
Net Position, End of Year	$ 205,203	$ 195,918

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.

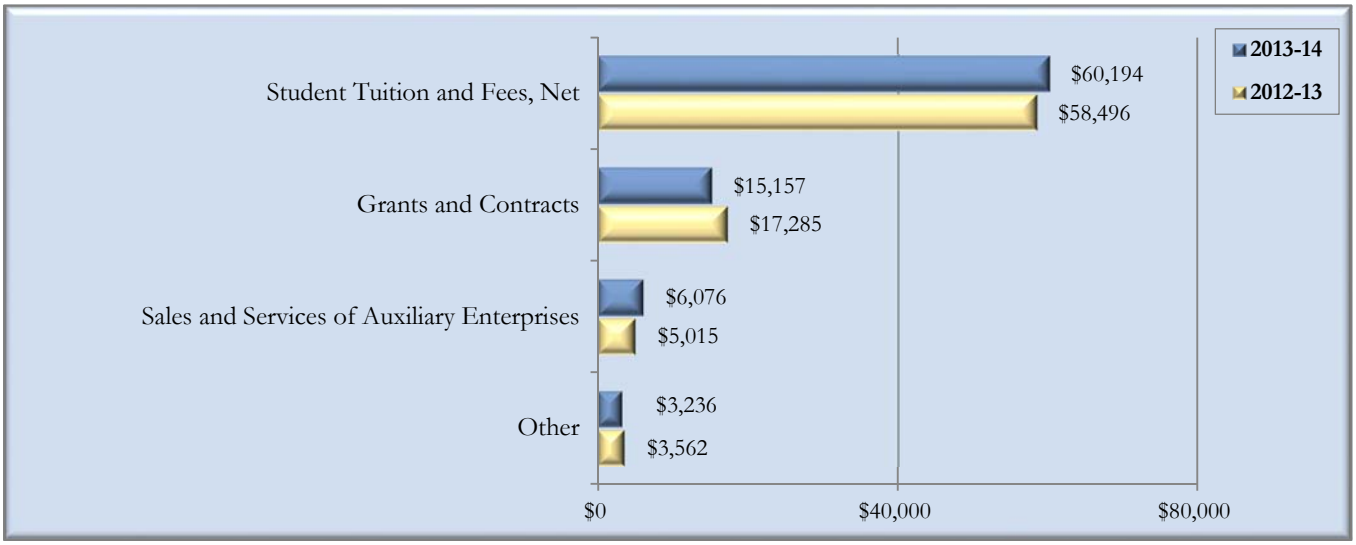
The following summarizes the operating revenues by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

Operating Revenues
(In Thousands)

	2013-14	2012-13
Student Tuition and Fees, Net	$ 60,194	$ 58,496
Grants and Contracts	15,157	17,285
Sales and Services of Auxiliary Enterprises	6,076	5,015
Other	3,236	3,562
Total Operating Revenues	$ 84,663	$ 84,358

The following chart presents the University's operating revenues for the 2013-14 and 2012-13 fiscal years:

Operating Revenues
(In Thousands)



Total operating revenues for the 2013-14 fiscal year were $84.7 million, of which $60.2 million was from net student tuition and fees. Tuition allowances, which represent 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 third party making payment on behalf of the student, totaled $20 million, and are deducted from gross student tuition and fees of $80.2 million to arrive at net student tuition and fees. Net student tuition and fees was $60.2 million for the 2013-14 fiscal year, which represents an increase of $1.7 million, or 2.9 percent, over the 2012-13 fiscal year. This increase was due to increased student tuition and fee rates. Sales and services of auxiliary enterprises increased over the 2012-13 fiscal year due to the assignment of Parking Services to UWF Business Enterprises, Inc., during the 2013-14 fiscal year.

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 position and has displayed the functional classification in the notes to financial statements.

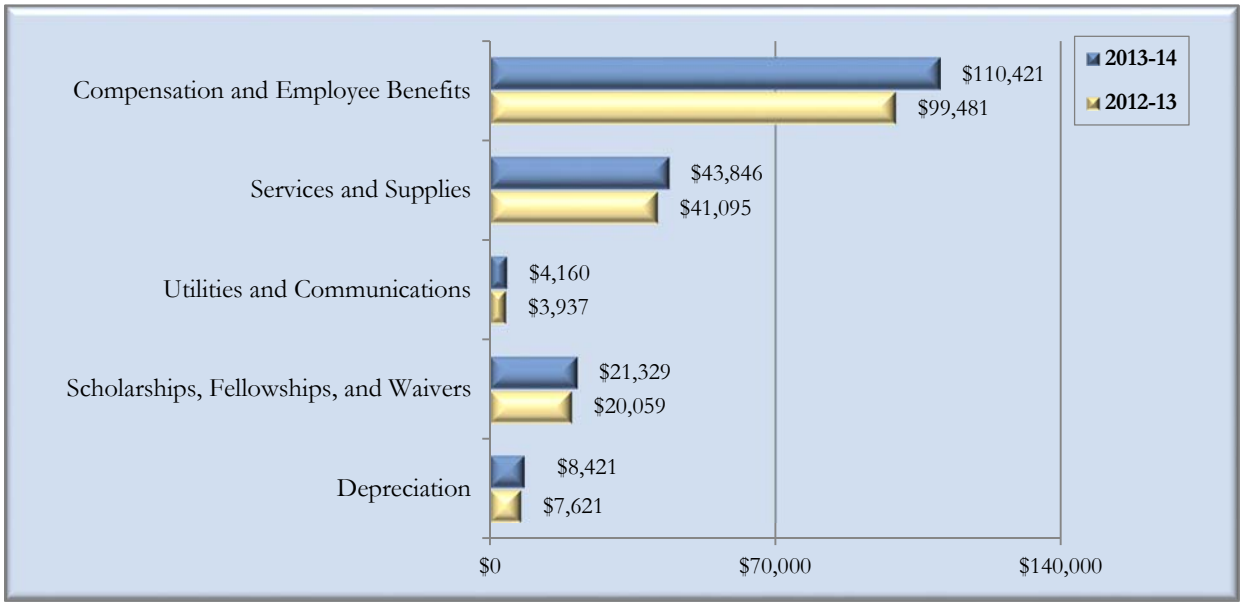
The following summarizes the operating expenses by natural classifications for the 2013-14 and 2012-13 fiscal years:

Operating Expenses
(In Thousands)

	2013-14	2012-13
Compensation and Employee Benefits	$ 110,421	$ 99,481
Services and Supplies	43,846	41,095
Utilities and Communications	4,160	3,937
Scholarships, Fellowships, and Waivers	21,329	20,059
Depreciation	8,421	7,621
Total Operating Expenses	$ 188,177	$ 172,193

The following chart presents the University's operating expenses for the 2013-14 and 2012-13 fiscal years:

Operating Expenses
(In Thousands)



Compensation and employee benefits increased by $10.9 million over the prior fiscal year, which can be attributed to a number of factors including salary increases, significant increases in benefit rates, the requirement to provide health benefits to other personnel services employees, and the continuing escalation of other post-employment benefits costs. The increase in services and supplies was primarily due to payments made in the 2013-14 fiscal year for consulting services utilized in the implementation of a new computer system application for student financial aid, student records, and student accounts. Scholarships increased primarily due to an increase in institutional financial aid awards funded by tuition differential fees.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include investment losses and losses on the disposal of capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	$ 71,003	$ 44,860
Federal and State Student Financial Aid	24,702	25,169
Noncapital Grants, Contracts, and Gifts	3,011	2,718
Investment Income (Loss)	1,405	(112)
Other Nonoperating Revenues	19	60
Loss on Disposal of Capital Assets	(22)	(56)
Net Nonoperating Revenues	$ 100,118	$ 72,639

The increase in the University's State noncapital appropriations of $26.1 million was due to the restoration of appropriation cuts made in the 2012-13 fiscal year as well as increases in funding for various University initiatives such as a Doctorate of Nursing Practice ($1 million), the Complete Florida Program ($4 million), and enhancement of the Small Business Development Centers ($4 million). Investment income increased by $1.5 million primarily due to an increase in the fair market value of the University's investments in the State Treasury Special Purpose Investment Account at June 30, 2014, as compared to the prior fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
State Capital Appropriations	$ 11,879	$ 198
Capital Grants, Contracts, Donations, and Fees	802	49
Total	$ 12,681	$ 247

The $11.7 million increase in State capital appropriations resulted from an increase in State funding for 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 capital financing activities include all plant funds. 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 noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	$ (82,263)	$ (59,124)
Noncapital Financing Activities	98,239	72,656
Capital and Related Financing Activities	3,439	(5,146)
Investing Activities	(14,653)	(8,476)
Net Increase (Decrease) in Cash and Cash Equivalents	4,762	(90)
Cash and Cash Equivalents, Beginning of Year	4,076	4,166
Cash and Cash Equivalents, End of Year	$ 8,838	$ 4,076

Major sources of funds came from State noncapital appropriations ($71 million), net student tuition and fees ($60.3 million), Federal Direct Student Loan receipts ($54.9 million), grants and contracts ($24.7 million), sales and services of auxiliary enterprises ($6.1 million), and State capital appropriations ($5.9 million). Major uses of funds were for payments made to and on behalf of employees totaling $105.3 million, disbursements to students for Federal Direct Student Loans totaling $54.9 million, payments to suppliers totaling $47.4 million, and payments to and on behalf of students for scholarships totaling $21.3 million.

A $12.9 million decrease in cash provided by contracts and grants coupled with a $12.8 million increase in cash used to pay salaries, supplies, and scholarships are the primary reasons for the $23.1 million increase in cash used by operations. This was offset by a $26.1 million increase in cash provided by State noncapital appropriations, a $1.5 million increase in cash provided by State capital appropriations, and a $7.1 million decrease in cash used for the purchase of capital assets, allowing for a $5.6 million increase in net purchase of investments and a $4.8 million increase in cash and cash equivalents for the 2013-14 fiscal year.

CAPITAL ASSETS AND CAPITAL EXPENSES AND COMMITMENTS

CAPITAL ASSETS

At June 30, 2014, the University had $285.9 million in capital assets, less accumulated depreciation of $140.7 million, for net capital assets of $145.2 million. Depreciation charges for the current fiscal year totaled $8.4 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)

	2014	2013
Land	$ 9,606	$ 9,606
Works of Art and Historical Treasures	11,631	10,886
Construction in Progress	1,566	648
Buildings	98,693	103,035
Infrastructure and Other Improvements	12,814	13,458
Furniture and Equipment	8,202	8,727
Library Resources	2,645	3,485
Leasehold Improvements		1
Computer Software		33
Capital Assets, Net	$ 145,157	$ 149,879

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, 2014, were incurred on the College of Business – Phase 3 projects. The University's construction commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	$ 5,354
Completed to Date	(1,566)
Balance Committed	$ 3,788

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 condition is closely tied to that of the State of Florida. Due to increasing concerns over the cost of higher education in the State of Florida, the Legislature provided for no increase in student tuition or tuition differential fees for the University of West Florida for the 2014-15 fiscal year. State noncapital appropriations will increase for the 2014-15 fiscal year by $13.7 million, with $3.8 million of the University's appropriation at risk due to the University's ranking on performance metrics established by the Florida Board of Governors for the Florida State University System. University management has devised and is aggressively pursuing a performance improvement plan that the University is confident will forestall the loss of these at risk funds.

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 M. Asmus, CPA, Associate Vice President for Finance/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 POSITION
June 30, 2014

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 6,565,571	$ 6,479,158
Investments	95,611,874	177,997
Accounts Receivable, Net	6,732,351	3,516,738
Loans and Notes Receivable, Net	35,304	61,692
Due from State	9,408,483	
Due from University		14,424
Inventories		146,142
Other Current Assets		153,182
Total Current Assets	118,353,583	10,549,333
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,272,517	11,091,643
Restricted Investments		72,115,295
Loans and Notes Receivable, Net	2,886,091	
Depreciable Capital Assets, Net	122,354,656	57,387,448
Nondepreciable Capital Assets	22,802,541	3,730,593
Other Noncurrent Assets		684
Total Noncurrent Assets	150,315,805	144,325,663
Total Assets	268,669,388	154,874,996
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,099,461	527,013
Construction Contracts Payable	499,450	
Salaries and Wages Payable	2,528,761	
Deposits Payable	1,105,974	30,974
Due to Component Units	14,424	
Unearned Revenue	2,867,854	319,011
Other Current Liabilities	117,993	
Long-Term Liabilities - Current Portion:		
Bonds Payable		2,056,000
Loans and Notes Payable		1,025,199
Capital Lease Payable		4,790
Unearned Revenue	2,525,936	
Compensated Absences Payable	1,056,614	
Total Current Liabilities	14,816,467	3,962,987

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	$	$ 51,150,819
Capital Lease Payable		14,025
Unearned Revenue	22,239,566	2,766,986
Compensated Absences Payable	11,738,419	311,074
Other Postemployment Benefits Payable	13,179,000	
Other Noncurrent Liabilities	1,492,556	198,715
Total Noncurrent Liabilities	48,649,541	54,441,619
Total Liabilities	63,466,008	58,404,606
NET POSITION		
Net Investment in Capital Assets	145,157,197	6,575,536
Restricted for Nonexpendable:		
Endowment		49,675,065
Restricted for Expendable:		
Loans	2,002,812	
Capital Projects	10,096,295	
Other	698,897	27,348,933
Unrestricted	47,248,179	12,870,856
TOTAL NET POSITION	$ 205,203,380	$ 96,470,390

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 POSITION
For the Fiscal Year Ended June 30, 2014

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $19,967,701	$ 60,193,923	$
Federal Grants and Contracts	11,533,825	
State and Local Grants and Contracts	3,623,181	
Sales and Services of Auxiliary Enterprises	6,076,624	
Sales and Services of Component Units		4,713,638
Gifts and Donations		4,415,544
Interest on Loans and Notes Receivable	57,433	
Other Operating Revenues	3,178,295	11,878,018
Total Operating Revenues	84,663,281	21,007,200
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	110,421,252	2,948,632
Services and Supplies	43,845,639	9,054,212
Utilities and Communications	4,159,409	1,415,342
Scholarships, Fellowships, and Waivers	21,329,494	61,170
Depreciation	8,421,459	2,857,592
Total Operating Expenses	188,177,253	16,336,948
Operating Income (Loss)	(103,513,972)	4,670,252
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	71,002,733	
Federal and State Student Financial Aid	24,702,173	
Noncapital Grants, Contracts, and Gifts	3,010,809	
Investment Income	1,405,018	10,495,967
Other Nonoperating Revenues	19,451	33,465
Loss on Disposal of Capital Assets	(22,035)	
Interest on Capital Asset-Related Debt		(2,669,772)
Other Nonoperating Expenses		(3,227,166)
Net Nonoperating Revenues	100,118,149	4,632,494
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,395,823)	9,302,746
State Capital Appropriations	11,879,319	
Capital Grants, Contracts, Donations, and Fees	801,837	
Additions to Permanent Endowments		1,995,953
Increase in Net Position	9,285,333	11,298,699
Net Position, Beginning of Year	195,918,047	86,552,214
Adjustment to Beginning Net Position		(1,380,523)
Net Position, Beginning of Year, as Restated	195,918,047	85,171,691
Net Position, End of Year	$ 205,203,380	$ 96,470,390

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, 2014

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 60,309,458
Grants and Contracts	21,683,309
Sales and Services of Auxiliary Enterprises	6,076,624
Interest on Loans and Notes Receivable	38,194
Payments to Employees	(105,270,182)
Payments to Suppliers for Goods and Services	(47,428,330)
Payments to Students for Scholarships and Fellowships	(21,329,495)
Loans Issued to Students	(420,739)
Collection on Loans to Students	372,910
Other Operating Receipts	3,705,453
Net Cash Used by Operating Activities	(82,262,798)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	71,002,733
Federal and State Student Financial Aid	24,702,173
Noncapital Grants, Contracts & Gifts	3,010,809
Federal Direct Loan Program Receipts	54,888,631
Federal Direct Loan Program Disbursements	(54,888,631)
Net Change in Funds Held for Others	(495,724)
Other Nonoperating Receipts	19,133
Net Cash Provided by Noncapital Financing Activities	98,239,124
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	5,916,668
Purchase or Construction of Capital Assets	(2,477,135)
Net Cash Provided by Capital and Related Financing Activities	3,439,533
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	117,983,132
Purchase of Investments	(133,344,632)
Investment Income	708,135
Net Cash Used by Investing Activities	(14,653,365)
Net Increase in Cash and Cash Equivalents	4,762,494
Cash and Cash Equivalents, Beginning of Year	4,075,594
Cash and Cash Equivalents, End of Year	$ 8,838,088

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (103,513,972)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,421,459
Change in Assets and Liabilities:	
Receivables, Net	(900,515)
Accounts Payable	502,786
Salaries and Wages Payable	646,875
Deposits Payable	352,660
Compensated Absences Payable	1,169,194
Unearned Revenue	7,649,088
Other Liabilities	74,627
Other Postemployment Benefits Payable	3,335,000
NET CASH USED BY OPERATING ACTIVITIES	$ (82,262,798)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 650,583
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (22,035)
Donations of capital assets and increases in the value of Historical Treasures were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 801,837

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, 2014

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 thirteen 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 (GASB) *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. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities 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 to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. 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., 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.
- UWF Business Enterprises, Inc., was established to receive, hold, develop, provide, maintain, and administer property and to make expenditures to or for the exclusive benefit of the University or a research and development park or research and development authority of or affiliated with the University and to

promote, encourage, and provide assistance to the research activities of faculty, staff, and students of the University of West Florida.

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 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 Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - 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 follows GASB standards of accounting and financial reporting.

The University's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when 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. West Florida Historic Preservation, Inc., and UWF Business Enterprises, Inc., follow GASB standards of accounting and financial reporting.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects.

The statement of net position 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 position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference 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 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 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 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 $5,000 for tangible personal property and $50,000 for new buildings and for 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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- 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. The Foundation capitalizes interest costs on borrowing incurred during the construction of qualifying assets. The capitalized interest is amortized over the life of the borrowing.

Capital assets of 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 the case of donations. Expenditures which equal or exceed $5,000 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.

Capital assets of UWF Business Enterprises, Inc. (BEI), consist of land, buildings, golf course improvements, equipment, furniture and fixtures, exterior signage, and construction in progress. 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. 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. BEI has a capitalization threshold of $50,000 for buildings, building improvements, infrastructure, infrastructure improvements, and leasehold improvements and a $5,000 capitalization threshold for tangible personal property. Depreciation is calculated on the straight-line basis over 40 years for buildings, 20 years for golf course improvements, 5 to 10 years for equipment and software, and 7 years for furniture and fixtures and exterior signage.

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

2. ADJUSTMENT TO BEGINNING NET POSITION – COMPONENT UNITS

The beginning net position of the University of West Florida Foundation, Inc., a discretely presented component unit, was decreased by $1,380,523 due to the adoption of a new GASB Pronouncement, Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires bond issuance costs, which were previously deferred and amortized, to be expensed when incurred. Previously, deferred bond issuance costs totaled $1,380,523.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), 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 adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; 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; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law.

The University's investments at June 30, 2014, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$66,181,363
SBA Florida PRIME	29,429,028
SBA Fund B Surplus Funds Trust Fund	1,483
Total University Investments	$ 95,611,874

External Investment Pools

The University reported investments at fair value totaling $66,181,363 at June 30, 2014, 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 A+f by Standard & Poor's, had an effective duration of 2.57 years, and had a fair value factor of 1.0074 at June 30, 2014. 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.

At June 30, 2014, the University reported investments totaling $29,429,028 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of

floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

State Board of Administration Fund B Surplus Funds Trust Fund

The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and 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 on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2014, the University reported investments at fair value of $1,483 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 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 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, 2013. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

Component Units Investments

Investments held by the University of West Florida Foundation, Inc., and West Florida Historic Preservation, Inc., at June 30, 2014, are reported at carrying value, which approximates fair value as follows:

Investment Type	Amount
Equity Securities:	
Common Stock and Mutual Funds	$ 43,091,235
Debt Securities	10,354,747
Alternative Investments:	
Fund of Fund Hedge Funds	15,241,975
Private Equity Investments	1,753,691
Real Estate Investment Trust	1,176,321
Cash Surrender Insurance	143,978
Funds Held in Trust	311,850
Property Held for Investment	41,498
Certificates of Deposit	177,997
Total Component Units Investments	$ 72,293,292

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.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, 2014, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 4,844,239
Student Tuition and Fees	1,128,098
Other	2,265,585
Gross Accounts Receivable	8,237,922
Less Allowance for Doubtful Accounts	(1,505,571)
Net Accounts Receivable	$ 6,732,351

Allowances for doubtful accounts are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

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.

5. DUE FROM STATE

This amount consists of $9,408,483 of Public Education Capital Outlay and Capital Improvement Fee Trust Fund 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, 2014, is shown below:

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 9,605,539	$	$	$ 9,605,539
Works of Art and Historical Treasures	10,886,096	744,871		11,630,967
Construction in Progress	648,220	945,443	27,628	1,566,035
Total Nondepreciable Capital Assets	$ 21,139,855	$ 1,690,314	$ 27,628	$ 22,802,541
Depreciable Capital Assets:				
Buildings	$ 173,783,004	$ 194,410	$ 216,767	$ 173,760,647
Infrastructure and Other Improvements	28,993,469	438,237	13,200	29,418,506
Furniture and Equipment	26,598,883	1,653,229	343,271	27,908,841
Library Resources	30,093,069	2,046	155,018	29,940,097
Leasehold Improvements	59,403			59,403
Computer Software	2,012,099			2,012,099
Total Depreciable Capital Assets	261,539,927	2,287,922	728,256	263,099,593
Less, Accumulated Depreciation:				
Buildings	70,747,743	4,320,152		75,067,895
Infrastructure and Other Improvements	15,535,127	1,069,296		16,604,423
Furniture and Equipment	17,871,575	2,157,500	322,325	19,706,750
Library Resources	26,607,876	841,901	155,018	27,294,759
Leasehold Improvements	58,801	210		59,011
Computer Software	1,979,699	32,400		2,012,099
Total Accumulated Depreciation	132,800,821	8,421,459	477,343	140,744,937
Total Depreciable Capital Assets, Net	$ 128,739,106	$ (6,133,537)	$ 250,913	$ 122,354,656

7. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2014, include unearned revenue, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned Revenue	$ 17,445,000	$ 11,946,530	$ 4,626,028	$ 24,765,502	$ 2,525,936
Compensated Absences Payable	11,625,840	1,992,366	823,173	12,795,033	1,056,614
Other Postemployment Benefits Payable	9,844,000	3,984,000	649,000	13,179,000	
Other Noncurrent Liabilities	1,511,077		18,521	1,492,556	
Total Long-Term Liabilities	$ 40,425,917	$ 17,922,896	$ 6,116,722	$ 52,232,091	$ 3,582,550

Unearned Revenue. Long-term unearned revenue represents funds received but not yet earned under a grant from the State Economic Development Initiative. Total long-term unearned revenue at June 30, 2014, amounted to $24,765,502, with $2,525,936 expected to be earned during the 2014-15 fiscal year.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 noncapital 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, 2014, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $12,795,033. The current portion of the compensated absences liability, $1,056,614, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

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

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. 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 2013-14 fiscal year, 204 retirees received postemployment healthcare benefits. The University provided required contributions of $649,000 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 $1,178,000, which represents 1.7 percent of covered payroll.

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 GASB 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 fiscal year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Description	Amount
Normal Cost (Service Cost for One Year)	$ 2,552,000
Amortization of Unfunded Actuarial Accrued Liability	1,228,000
Interest on Normal Cost and Amortization	151,000
Annual Required Contribution	3,931,000
Interest on Net OPEB Obligation	394,000
Adjustment to Annual Required Contribution	(341,000)
Annual OPEB Cost (Expense)	3,984,000
Contribution Toward the OPEB Cost	(649,000)
Increase in Net OPEB Obligation	3,335,000
Net OPEB Obligation, Beginning of Year	9,844,000
Net OPEB Obligation, End of Year	$ 13,179,000

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, 2014, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 3,507,000	22.5%	$ 7,179,000
2012-13	3,496,000	23.8%	9,844,000
2013-14	3,984,000	16.3%	13,179,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $36,847,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $36,847,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $67,758,498 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 54.4 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.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the University's 2013-14 fiscal year ARC. 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 and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.4 percent, 7 percent, and 8.2 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.9 percent, 7.8 percent, and 8.3 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

Other Noncurrent Liabilities. Other noncurrent liabilities represent 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.

Bonds Payable – Component Units. A summary of the component units' bonds payable as of June 30, 2014, is shown in the following table:

Bond Type and Series	Amount of Original Issue	Amount Outstanding	Interest Rates (Percent)
Revenue Bonds:			
Dormitory Revenue Bonds:			
2009	$ 15,000,000	$ 12,898,000	5.09
2011	16,525,000	15,915,000	3.00 - 5.875
Dormitory Refunding Revenue Bonds:			
2005	18,290,000	14,880,000	3.75 - 5.00
2010	11,717,000	9,758,000	3.95
Subtotal	61,532,000	53,451,000	
Less Net Discounts		(244,181)	
Total Revenue Bonds	$ 61,532,000	$ 53,206,819	

UNIVERSITY OF WEST FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	$ 2,056,000	$ 2,595,824	$ 4,651,824
2016	2,143,000	2,510,576	4,653,576
2017	2,236,000	2,421,631	4,657,631
2018	2,325,000	2,326,206	4,651,206
2019	2,430,000	2,224,721	4,654,721
2020-2024	13,890,000	9,381,963	23,271,963
2025-2029	16,541,000	5,838,900	22,379,900
2030-2034	5,970,000	2,552,106	8,522,106
2035-2039	4,740,000	1,196,150	5,936,150
2040	1,120,000	65,800	1,185,800
Subtotal	53,451,000	31,113,877	84,564,877
Net Discounts	(244,181)		(244,181)
Total	$ 53,206,819	$ 31,113,877	$ 84,320,696

The 2005 Dormitory Refunding Revenue bonds, sponsored by the 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 2010 Dormitory Refunding Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to refund $11.5 million from a 1998 Dormitory Revenue Bond issue.

The 2011 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. The bonds require the Foundation to maintain various covenants, including one that requires student housing room rates to be maintained at a level that provides net revenues at least equal to 120 percent of annual debt service. The debt service ratio for the year ended June 30, 2014 was 128 percent. The Foundation is not aware of any violations of the covenants at June 30, 2014.

8. 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 the 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. The 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), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee 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 Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Teachers Retirement System, Plan E	6.25	11.44
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.
(B) Contribution rates are dependent upon retirement class 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, 2012, June 30, 2013, and June 30, 2014, totaled $2,129,867, $2,302,066, and $3,125,927, respectively, which were equal to the required contributions for each fiscal year.

There were 158 University participants in the Investment Plan during the 2013-14 fiscal year. The University's contributions including employee contributions to the Investment Plan totaled $586,196, which was equal to the required contribution for the 2013-14 fiscal year.

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' Web site (www.myfloridacfo.com). 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's Web site (www.myfloridacfo.com).

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 FRS for eight 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, 7.34 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by

payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 501 University participants during the 2013-14 fiscal year. The University's contributions to the Program totaled $2,238,976 and employee contributions totaled $1,740,593 for the 2013-14 fiscal year.

9. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2014, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
College of Business - Phase 3	$ 3,775,644	$ 552,081	$ 3,223,563
Other Projects (1)	1,578,449	1,013,954	564,495
Total	$ 5,354,093	$ 1,566,035	$ 3,788,058

Note: (1) Individual projects with current balance commited of less than $1 million at June 30, 2014.

10. 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 2013-14 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $50 million for named windstorm and flood losses through February 15, 2014, and increased to $54 million starting February 16, 2014. For perils other than named windstorm 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 $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), 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.

11. 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 position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 53,723,128
Research	7,123,660
Public Services	16,805,737
Academic Support	21,980,762
Student Services	12,073,881
Institutional Support	19,083,869
Operation and Maintenance of Plant	11,604,583
Scholarships, Fellowships, and Waivers	21,329,494
Depreciation	8,421,459
Auxiliary Enterprises	16,030,680
Total Operating Expenses	$ 188,177,253

12. DISCRETELY PRESENTED COMPONENT UNITS

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

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A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Condensed Statement of Net Position

	University of West Florida Foundation, Inc. 6-30-14	West Florida Historic Preservation, Inc. 6-30-14	UWF Business Enterprises, Inc. 6-30-14	Total
Assets:				
Current Assets	$ 6,634,793	$ 2,114,365	$ 1,800,175	$ 10,549,333
Capital Assets, Net	53,630,100	4,559,520	2,928,421	61,118,041
Other Noncurrent Assets	83,206,938	684		83,207,622
Total Assets	143,471,831	6,674,569	4,728,596	154,874,996
Liabilities:				
Current Liabilities	2,439,886	33,925	1,489,176	3,962,987
Noncurrent Liabilities	51,660,608		2,781,011	54,441,619
Total Liabilities	54,100,494	33,925	4,270,187	58,404,606
Net Position:				
Net Investment in Capital Assets	418,631	4,559,520	1,597,385	6,575,536
Restricted Nonexpendable	49,675,065			49,675,065
Restricted Expendable	27,188,685	160,248		27,348,933
Unrestricted	12,088,956	1,920,876	(1,138,976)	12,870,856
Total Net Position	$ 89,371,337	$ 6,640,644	$ 458,409	$ 96,470,390

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	University of West Florida Foundation, Inc. 6-30-14	West Florida Historic Preservation, Inc. 6-30-14	UWF Business Enterprises, Inc. 6-30-14	Total
Operating Revenues	$ 14,615,975	$ 1,809,663	$ 4,581,562	$ 21,007,200
Depreciation Expense	(2,683,639)	(92,733)	(81,220)	(2,857,592)
Operating Expenses	(8,853,069)	(915,529)	(3,710,758)	(13,479,356)
Operating Income	3,079,267	801,401	789,584	4,670,252
Net Nonoperating Revenues (Expenses)				
Nonoperating Revenues	10,300,770	195,197	33,465	10,529,432
Interest Expense	(2,669,772)			(2,669,772)
Other Nonoperating Expenses	(3,183,854)		(43,312)	(3,227,166)
Net Nonoperating Revenues (Expenses)	4,447,144	195,197	(9,847)	4,632,494
Other Revenues, Expenses, Gains, and Losses	1,995,953			1,995,953
Increase in Net Position	9,522,364	996,598	779,737	11,298,699
Net Position, Beginning of Year	81,229,496	5,644,046	(321,328)	86,552,214
Adjustment to Beginning Net Position (1)	(1,380,523)			(1,380,523)
Net Position, Beginning of Year, as Restated	79,848,973	5,644,046	(321,328)	85,171,691
Net Position, End of Year	$ 89,371,337	$ 6,640,644	$ 458,409	$ 96,470,390

Note: (1) The beginning net position of the University of West Florida Foundation, Inc., was decreased by $1,380,523 due to the adoption of GASB Pronouncement, Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 requires bond issuance costs, which were previously deferred and amortized, to be expensed when incurred.

13. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented, as follows:

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Statement of Current Unrestricted Funds Net Position

Assets		
Current Assets:		
Cash and Cash Equivalents	$	22,427
Investments		75,726,383
Receivables, Net		1,702,820
Due from Other Funds		1,909,071
Total Assets		79,360,701
Liabilities		
Current Liabilities:		
Accounts Payable		3,026,571
Salary and Wages Payable		2,528,761
Deposits Payable		583,157
Compensated Absences Payable		1,056,614
Total Current Liabilities		7,195,103
Noncurrent Liabilities:		
Compensated Absences Payable		11,738,419
Other Postemployment Benefits Payable		13,179,000
Total Noncurrent Liabilities		24,917,419
Total Liabilities		32,112,522
Total Net Position	$	47,248,179

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Position

Revenues	
Operating Revenues:	
Student Tuition and Fees (1)	$ 80,161,624
Sales and Services of Auxiliary Enterprises	6,076,624
Other Operating Revenues	939,152
Total Operating Revenues	87,177,400
Expenses	
Operating Expenses:	
Compensation and Employee Benefits	103,432,908
Services and Supplies	32,494,751
Utilities and Communications	4,118,005
Scholarships and Fellowships	14,870,947
Total Operating Expenses	154,916,611
Operating Loss	(67,739,211)
Nonoperating Revenues	
State Noncapital Appropriations	71,002,733
Investment Income	1,386,357
Other Nonoperating Revenues	19,451
Net Nonoperating Revenues	72,408,541
Income Before Other Revenues, Expenses, Gains, or Losses	4,669,330
Transfers from Other Funds	403,923
Increase in Net Position	5,073,253
Net Position, Beginning of Year	42,174,926
Net Position, End of Year	$ 47,248,179

Note: (1) Student tuition and fees revenue is reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in student tuition and fees revenue for the purposes of this disclosure.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (2) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	$ -	$ 33,402,000	$ 33,402,000	0%	$ 55,636,371	60.0%
7/1/2011	-	37,956,000	37,956,000	0%	59,114,940	64.2%
7/1/2013	-	36,847,000	36,847,000	0%	67,758,498	54.4%

Notes: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

(2) The July 1, 2013, unfunded actuarial accrued liability of $36,847,000 was less than the July 1, 2011, liability of $37,956,000 primarily as a result of a lower than expected increase in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

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

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

Report on the Financial Statements

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 20, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in

internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of the **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*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
November 20, 2014