

UNIVERSITY OF FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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The audit was coordinated by Philip B. Ciano, 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) 922-2263.

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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 Florida and its officers with administrative and stewardship responsibilities for University operations had:

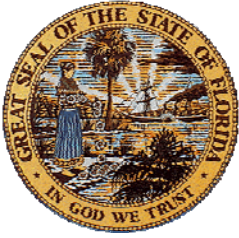
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the University's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2010-078.

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.



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2009, which collectively comprise the University's basic financial statements as shown on pages 12 through 51. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Florida and of its aggregate discretely presented component units as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

University management determined that the financial activity in the faculty practice plans' academic enrichment fund should be reported as a restricted operating fund of the University, and the University changed its accounting for Federal capital contributions on the Federal Perkins Loan Program. As more fully described in note 2 to the financial statements, these accounting changes resulted in adjustments to beginning net assets and affect comparability with prior fiscal year financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the University of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 52, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
January 26, 2010

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 of Florida (University) for the fiscal year ended June 30, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$2.8 billion at June 30, 2009. This balance reflects a \$105.3 million, or 4 percent, increase from the 2007-08 fiscal year. Investments increased by \$52.7 million and net capital assets increased by \$96.9 million. The amount due from the State decreased because several large construction projects have been completely funded. While assets grew, liabilities also increased by \$26.3 million to \$581.3 million, or 4.7 percent, resulting from an increase in other noncurrent liabilities representing the Federal capital contributions for the Federal Perkins Loan Program. Other liabilities that increased include postemployment healthcare benefits payable, bonds and revenue certificates payable, and the liability for self-insured claims. As a result, the University's net assets increased by \$79 million, or 3.8 percent, reaching a year-end balance of \$2.2 billion.

The University's operating revenues totaled \$1.4 billion for the 2008-09 fiscal year, representing a 29.2 percent increase over the 2007-08 fiscal year. Major components of operating revenues are student tuition and fees and grants and contracts. Student tuition and fees, net of scholarship allowances, increased \$36.3 million, or 18.8 percent. Nongovernmental grants and contracts increased by \$234.8 million, or 69.4 percent, largely as a result of the change in accounting for the academic enrichment fund (faculty practice plan money) of the Health Science Center Affiliates. This fund was previously accounted for as an agency fund, which reports no revenues and expenses. Beginning in the 2008-09 fiscal year, the related activities are accounted for in an operating fund, which reports revenues and expenses on the University's statement of revenues, expenses, and changes in net assets. The expenses of this fund are classified as public service in the functional expense table on page 7.

Operating expenses totaled \$2.1 billion for the 2008-09 fiscal year, representing an increase of 15 percent over the 2007-08 fiscal year also as a result of including the expenses of the academic enrichment fund. The two largest classifications of operating expenses that contributed to this increase were compensation and employee benefits, and scholarships, fellowships, and waivers.

Net nonoperating revenues in the 2008-09 fiscal year decreased 7.9 percent primarily due to declining State appropriations and a decrease in the fair value of investments.

The University had significant construction activity during the year. Completed construction projects included the: (1) Biomedical Science Building (capitalizable costs of \$91 million), (2) George Steinbrenner Band Building (capitalizable costs of \$9.3 million), (3) Communicore Renovation (capitalizable costs of \$8.7 million), and

(4) University of Florida Dental Clinic – Naples (capitalizable costs of \$8 million). Construction continues on several major projects including three that, when finished, will be capitalized at over \$130 million: (1) Veterinary Medicine Education and Clinical Research Center, (2) Pathogen Research Facility, and (3) Southwest Parking Garage Complex.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- **Direct-Support Organizations** – These are separate, not-for-profit corporations organized and operated exclusively to assist the University in achieving excellence by providing supplemental resources from private gifts, bequests, and valuable education support services.
- **Health Science Center Affiliates** – These are the several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center, including the Faculty Practice Plans.
- **Shands Hospital and Others** – These include Shands Teaching Hospital and Clinics, Inc., a not-for-profit corporation that is contractually obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the Health Science Center at the University of Florida.

Information regarding these component units, including summaries of their separately issued financial statements, is presented in notes 1, 4, 10, 13, and 21 to the financial statements. This MD&A focuses on the University, excluding the component units. MD&A information regarding the component units is included in their separately issued audit reports, if reporting under GASB standards. Component units reporting under FASB standards do not include an MD&A in their audit reports.

The financial statements characterize revenues and expenses as either operating or nonoperating. The principal component of operating revenues is grants and contracts (\$974.2 million). Compensation and employee benefits (\$1.5 billion) represent the primary component of operating expenses. A significant portion of the University's anticipated, recurring resources is considered nonoperating as defined by GASB Statement No. 35. The principal component of nonoperating revenues for the fiscal year ended June 30, 2009, is State appropriations (\$621 million). Recurring nonoperating expenses consist primarily of interest expense on bonds and revenue certificates payable, totaling \$6.6 million for the fiscal year ended June 30, 2009.

THE STATEMENT OF NET ASSETS

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

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

Condensed Statement of Net Assets at June 30
(In Millions)

	2009	2008
Assets		
Current Assets	\$ 1,135.9	\$ 1,125.3
Capital Assets, Net	1,503.5	1,406.6
Other Noncurrent Assets	116.3	118.5
Total Assets	2,755.7	2,650.4
Liabilities		
Current Liabilities	175.1	193.8
Noncurrent Liabilities	406.2	361.2
Total Liabilities	581.3	555.0
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,384.2	1,300.7
Restricted	680.3	714.6
Unrestricted	109.9	80.1
Total Net Assets	\$ 2,174.4	\$ 2,095.4

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

The statement of revenues, expenses, and changes in net assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The adjustment to beginning net assets reflects the net decrease resulting from the above-described change in accounting pertaining to the academic enrichment fund (increase of \$8.7 million) and the Federal capital contributions for the Federal Perkins Loan Program (decrease of \$20.1 million).

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

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

	<u>2008-09</u>	<u>2007-08</u>
Operating Revenues	\$ 1,391.7	\$ 1,076.8
Operating Expenses	<u>(2,121.4)</u>	<u>(1,844.5)</u>
Operating Loss	(729.7)	(767.7)
Net Nonoperating Revenues	<u>723.9</u>	<u>786.3</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5.8)	18.6
Other Revenues, Expenses, Gains, or Losses	<u>96.2</u>	<u>175.5</u>
Increase In Net Assets	<u>90.4</u>	<u>194.1</u>
Net Assets, Beginning of Year	2,095.4	1,901.3
Adjustment to Beginning Net Assets (1)	<u>(11.4)</u>	
Net Assets, Beginning of Year, as Restated	<u>2,084.0</u>	<u>1,901.3</u>
Net Assets, End of Year	<u>\$ 2,174.4</u>	<u>\$ 2,095.4</u>

Note: (1) Adjustment for accounting changes (note 2).

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.

Grants and contracts revenue increased primarily because of the above-described accounting change pertaining to the academic enrichment fund, which resulted in the recognition of nongovernmental grants and contracts revenue during the 2008-09 fiscal year. Net student tuition and fees increased by 18.8 percent primarily as a result of tuition increases to offset decreases in State funding.

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

Operating Revenues (In Millions)		
	<u>2008-09</u>	<u>2007-08</u>
Grants and Contracts	\$ 974.2	\$ 711.2
Student Tuition and Fees, Net of Scholarship Allowances	229.0	192.7
Sales and Services of Auxiliary Enterprises	140.2	135.0
Sales and Services of Educational Departments	47.2	36.4
Other	<u>1.1</u>	<u>1.5</u>
Total Operating Revenues	<u>\$ 1,391.7</u>	<u>\$ 1,076.8</u>

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 the natural classification. The University has chosen to report the operating expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements. The public service classification increased significantly in the 2008-09 fiscal year as a result of the above-described change in accounting for the academic enrichment fund.

The following summarizes the operating expenses for each method of classification for the 2008-09 and 2007-08 fiscal years:

**Operating Expenses
(In Millions)**

<u>Natural Classification</u>	<u>2008-09</u>	<u>2007-08</u>	<u>Functional Classification</u>	<u>2008-09</u>	<u>2007-08</u>
Compensation and Employee Benefits	\$ 1,456.9	\$ 1,215.9	Instruction	\$ 563.4	\$ 554.5
Services and Supplies	352.4	344.3	Research	466.6	458.5
Depreciation	120.5	110.7	Public Service	405.2	164.3
Scholarships, Fellowships, and Waivers, Net (1)	98.5	82.3	Auxiliary Operations	125.5	122.4
Utilities and Communications	71.5	65.1	Academic Support	125.3	129.1
Self-Insured Claims and Expenses	21.6	26.2	Depreciation	120.5	110.7
Total Operating Expenses	\$ 2,121.4	\$ 1,844.5	Institutional Support	106.9	114.1
			Operation and Maintenance of Plant	106.1	100.6
			Scholarships, Fellowships, and Waivers, Net (1)	73.7	59.4
			Student Services	28.2	30.9
			Total Operating Expenses	\$ 2,121.4	\$ 1,844.5

Note: (1) Net of Scholarship Allowances of \$115 million in the 2008-09 fiscal year and \$118.2 million in the 2007-08 fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. Investment income was lower due to lower yields and the decrease in the fair value of investments. The two combined produced a net loss on investments.

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

Nonoperating Revenues (Expenses)
(In Millions)

	<u>2008-09</u>	<u>2007-08</u>
State Appropriations	\$ 621.0	\$ 662.5
Federal and State Student Financial Aid	124.0	113.8
Investment Income	14.8	35.8
Decrease in Fair Value of Investments	(20.7)	(10.1)
Loss on Disposal of Capital Assets	(3.5)	(4.4)
Interest on Capital Asset-Related Debt	(6.6)	(6.1)
Other Nonoperating Expenses	(5.1)	(5.2)
Net Nonoperating Revenues	<u>\$ 723.9</u>	<u>\$ 786.3</u>

Note: Investment income and the decrease in fair value of investments, previously reported and disclosed as combined in the 2007-08 fiscal year, have been separated to facilitate comparison with the 2008-09 fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, donations, and student fees. During the year, capital appropriations declined because the State decreased funding; transfers from component units for construction also declined because Courtelis matching funds were temporarily suspended by the State. The following summarizes the University's other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

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

	<u>2008-09</u>	<u>2007-08</u>
Capital Appropriations	\$ 83.7	\$ 152.5
Capital Grants, Contracts, Donations, and Fees	12.5	23.0
Total	<u>\$ 96.2</u>	<u>\$ 175.5</u>

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 operating activities of the University. Cash flows from capital and related financing activities include activities of the capital funds and related long-term debt. Cash flows from investing activities show the net source and use of cash related to purchases and sales of investments and income earned on those investments. Cash flows from noncapital financing activities include those activities not covered in the other sections.

Although major sources of funds came from State appropriations (\$610.6 million), net student tuition and fees (\$227.2 million), grants and contracts (\$985.1 million), and sales and services of auxiliary enterprises (\$135.9 million), the University continued its efforts to cut costs in response to reductions in State funding, which along with the lower yield on investments, resulted in reductions to cash used for operating activities, reductions in cash provided by noncapital financing activities, and an increase in cash used by investing activities.

The following summarizes cash flows for the 2008-09 and 2007-08 fiscal years:

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

	<u>2008-09</u>	<u>2007-08</u>
Cash Provided (Used) by:		
Operating Activities	\$ (578.2)	\$ (675.3)
Noncapital Financing Activities	717.4	773.8
Capital and Related Financing Activities	(67.0)	(73.2)
Investing Activities	<u>(74.6)</u>	<u>(25.2)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2.4)	0.1
Cash and Cash Equivalents, Beginning of Year	<u>3.1</u>	<u>3.0</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 0.7</u></u>	<u><u>\$ 3.1</u></u>

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

CAPITAL ASSETS

At June 30, 2009, the University had \$2.9 billion in capital assets, less accumulated depreciation of \$1.4 billion, for net capital assets of \$1.5 billion. Depreciation charges for the current fiscal year totaled \$120.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30
(In Millions)**

	<u>2009</u>	<u>2008</u>
Land	\$ 10.9	\$ 10.9
Construction in Progress	110.6	84.1
Buildings	1,037.4	955.5
Infrastructure and Other Improvements	36.5	30.9
Furniture and Equipment	235.8	242.0
Library Resources	57.7	63.1
Property Under Capital Lease	6.9	7.2
Computer Software	2.7	8.1
Other Capital Assets	<u>5.0</u>	<u>4.8</u>
Total Capital Assets, Net	<u><u>\$ 1,503.5</u></u>	<u><u>\$ 1,406.6</u></u>

Additional information about the University's capital assets is presented in note 9 to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2009, were incurred on the following continuing projects: (1) Pathogen Research Facility (\$37 million), (2) Southwest Parking Garage Complex (\$17.2 million), and (3) Veterinary Medicine Education and Clinical Research Center (\$7 million). The University’s major capital commitments at June 30, 2009, are as follows:

	Amount (In Millions)
Total Commitment	\$ 295.6
Completed to Date	<u>110.6</u>
Balance Committed	<u>\$ 185.0</u>

Additional information about the University’s capital commitments is presented in note 16 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2009, the University had \$137.3 million in outstanding bonds and revenue certificates, capital leases, and installment purchase agreements, representing an increase of \$3.1 million, or 2.3 percent, from the prior fiscal year. The following table summarizes the outstanding capital asset-related debt at June 30:

**Capital Asset-Related Debt, at June 30
(In Millions)**

	2009	2008
Bonds and Revenue Certificates	\$ 129.4	\$ 126.6
Installment Purchase Agreements	4.4	4.0
Capital Leases	<u>3.5</u>	<u>3.6</u>
Total	<u>\$ 137.3</u>	<u>\$ 134.2</u>

Additional information about the University’s capital asset-related debt is presented in note 13 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The American Recovery and Reinvestment Act (ARRA) is having a positive effect on both the State and the University. While State appropriations have declined \$68.8 million from the 2008-09 fiscal year to the 2009-10 fiscal year, the nonrecurring ARRA funds will offset this reduction by \$42.3 million. Additionally, tuition and fees will increase by as much as 15.8 percent.

The University continues to look for ways to conserve resources and cut costs as well as to encourage entrepreneurial efforts in its departments and auxiliaries. Grants and contracts have increased, notably including the prestigious \$26 million NIH Clinical and Translational Science Award. Our component units have increased their level of support in the face of the current economic environment. These actions provide the impetus for continued progress in research and education.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to Michael V. McKee, Assistant Vice President and University Controller, Post Office Box 113200, Gainesville, Florida 32611.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2009
(In Thousands)

	University	Component Units			Total Reporting Entity
		Direct Support Organizations	Health Science Center Affiliates	Shands Hospital and Others	
ASSETS					
Current Assets:					
Cash and Cash Equivalents <i>(Note 3)</i>	\$ 683	\$ 15,142	\$ 46,108	\$ 213,445	\$ 275,378
Investments <i>(Note 4)</i>	813,536	173,418	2,649	224,359	1,213,962
Accounts Receivable, Net <i>(Note 5)</i>	117,834	92,318	64,611	168,468	443,231
Loans and Notes Receivable, Net <i>(Note 5)</i>	3,804	338			4,142
Due From State <i>(Note 6)</i>	180,668				180,668
Due from Component Units/University <i>(Note 7)</i>	13,436	13,883	6,372	8,218	41,909
Inventories <i>(Note 8)</i>	5,387	892			6,279
Other Current Assets	586	6,206	3,132	42,727	52,651
Total Current Assets	1,135,934	302,197	122,872	657,217	2,218,220
Noncurrent Assets:					
Restricted Cash and Cash Equivalents <i>(Note 3)</i>	3	583	1,500		2,086
Restricted Investments <i>(Note 4)</i>	76,478	1,279,806	31,238	81,537	1,469,059
Loans and Notes Receivable, Net <i>(Note 5)</i>	38,621	545			39,166
Depreciable Capital Assets, Net <i>(Note 9)</i>	1,378,345	154,928	24,436	533,939	2,091,648
Nondepreciable Capital Assets <i>(Note 9)</i>	125,202	65,698	3,350	371,243	565,493
Other Noncurrent Assets	1,152	2,354	11,665	39,965	55,136
Total Noncurrent Assets	1,619,801	1,503,914	72,189	1,026,684	4,222,588
TOTAL ASSETS	\$ 2,755,735	\$ 1,806,111	\$ 195,061	\$ 1,683,901	\$ 6,440,808
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 49,061	\$ 15,606	\$ 11,434	\$ 237,460	\$ 313,561
Salaries and Wages Payable	38,721	9,856	1,451	150	50,178
Due to Component Units/University <i>(Note 7)</i>	1,486	27,573	6,913	4,000	39,972
Deferred Revenue <i>(Note 11)</i>	47,449	73,021		62	120,532
Deposits Held in Custody	4,642	423	34		5,099
Other Current Liabilities <i>(Note 12)</i>	2,364	6,619	2,859	121	11,963
Long-Term Liabilities - Current Portion: <i>(Note 13)</i>					
Bonds and Revenue Certificates Payable	7,409	6,690	914	20,990	36,003
Installment Purchase Agreements Payable	2,333				2,333
Capital Leases Payable	100		42	833	975
Compensated Absences Payable	8,665	190			8,855
Liability for Self-Insured Claims	12,930				12,930
Total Current Liabilities	175,160	139,978	23,647	263,616	602,401
Noncurrent Liabilities: <i>(Note 13)</i>					
Bonds and Revenue Certificates Payable	121,966	115,715	15,576	608,023	861,280
Installment Purchase Agreements Payable	2,108				2,108
Capital Leases Payable	3,417		31	7,580	11,028
Compensated Absences Payable	152,093	4,139	5,358		161,590
Postemployment Healthcare Benefits Payable	19,648			4,637	24,285
Liability for Self-Insured Claims	86,912				86,912
Other Noncurrent Liabilities	20,070	31,444		230,736	282,250
Total Noncurrent Liabilities	406,214	151,298	20,965	850,976	1,429,453
TOTAL LIABILITIES	581,374	291,276	44,612	1,114,592	2,031,854

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

	University	Component Units			Total Reporting Entity
		Direct Support Organizations	Health Science Center Affiliates	Shands Hospital and Others	
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	\$ 1,384,242	\$ 89,459	\$ 12,278	\$ 267,351	\$ 1,753,330
Restricted for Nonexpendable:					
Endowment		1,008,690		231	1,008,921
Restricted for Expendable:					
Endowment		123,207			123,207
Loans	33,416				33,416
Capital Projects	186,203				186,203
Debt Service	3,081				3,081
Other	457,539	251,110	1,500	8,195	718,344
Unrestricted	109,880	42,369	136,671	293,532	582,452
TOTAL NET ASSETS	2,174,361	1,514,835	150,449	569,309	4,408,954
TOTAL LIABILITIES AND NET ASSETS	\$ 2,755,735	\$ 1,806,111	\$ 195,061	\$ 1,683,901	\$ 6,440,808

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

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

	University	Component Units			Total Reporting Entity
		Direct Support Organizations	Health Science Center Affiliates	Shands Hospital and Others	
REVENUES					
Operating Revenues:					
Student Tuition and Fees, Net of Scholarship Allowances of \$115,014	\$ 228,987	\$	\$	\$	\$ 228,987
Federal Grants and Contracts	333,871				333,871
State and Local Grants and Contracts	67,184				67,184
Nongovernmental Grants and Contracts	573,094				573,094
Sales and Services of Auxiliary Enterprises (Note 14)	140,189				140,189
Sales and Services of Educational Departments	47,249				47,249
Sales and Services of Component Units		72,434			72,434
Hospital Revenues			450,145	1,569,740	2,019,885
Gifts and Donations - Component Units		136,545	7,939	6,845	151,329
Royalties and Licensing Fees - Component Units		54,488		1,231	55,719
Interest on Loans and Notes Receivable	769				769
Other Operating Revenues	377	8,172	1,596	145,716	155,861
Total Operating Revenues	1,391,720	271,639	459,680	1,723,532	3,846,571
EXPENSES					
Operating Expenses:					
Compensation and Employee Benefits	1,456,954				1,456,954
Services and Supplies	352,375				352,375
Utilities and Communications	71,510				71,510
Scholarships, Fellowships, and Waivers, Net	98,459				98,459
Depreciation	120,508	7,656	5,694	74,275	208,133
Self-Insured Claims and Expenses	21,654				21,654
Other Component Unit Operating Expenses		320,478	171,234	1,529,361	2,021,073
Total Operating Expenses (Note 19)	2,121,460	328,134	176,928	1,603,636	4,230,158
Operating Income (Loss)	(729,740)	(56,495)	282,752	119,896	(383,587)
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	620,968				620,968
Federal and State Student Financial Aid	123,949				123,949
Investment Income (Loss)	14,848	(62,649)	1,069	9,109	(37,623)
Decrease in the Fair Value of Investments	(20,732)	(174,435)	(7)	(52,408)	(247,582)
Loss on Disposal of Capital Assets	(3,487)		(9)		(3,496)
Interest on Capital Asset-Related Debt	(6,578)	(4,365)	(130)		(11,073)
Other Nonoperating Expenses	(5,061)	(3,193)	(349,815)	(225,371)	(583,440)
Net Nonoperating Revenues (Expenses)	723,907	(244,642)	(348,892)	(268,670)	(138,297)
Loss Before Other Revenues, Expenses, Gains, or Losses	(5,833)	(301,137)	(66,140)	(148,774)	(521,884)
Capital Appropriations	83,702				83,702
Capital Grants, Contracts, Donations, and Student Fees	12,510				12,510
Additions to Permanent Endowments		46,388			46,388
Transfers from/(to) Component Units		1,242	69,203	(34,760)	35,685
Total Other Revenues, Expenses, Gains, or Losses	96,212	47,630	69,203	(34,760)	178,285
Increase (Decrease) in Net Assets	90,379	(253,507)	3,063	(183,534)	(343,599)
Net Assets, Beginning of Year	2,095,394	1,768,342	110,732	752,843	4,727,311
Adjustment to Beginning Net Assets (Note 2)	(11,412)		36,654		25,242
Net Assets, Beginning of Year, as Restated	2,083,982	1,768,342	147,386	752,843	4,752,553
Net Assets, End of Year	\$2,174,361	\$ 1,514,835	\$150,449	\$ 569,309	\$ 4,408,954

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

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

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 227,184
Grants and Contracts	985,109
Sales and Services of Auxiliary Enterprises	135,862
Sales and Services of Educational Departments	47,226
Repayment of Loans and Notes Receivable	5,407
Interest on Loans Receivable	751
Other Operating Receipts	201
Payments to Employees	(1,432,413)
Payments to Suppliers for Goods and Services	(426,902)
Payments to Students for Scholarships and Fellowships	(98,459)
Net Loans Issued to Students	(5,276)
Payments on Self-Insured Claims and Expenses	(16,923)
	(578,233)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	610,585
Federal and State Student Financial Aid	123,949
Direct Loan Program Receipts	204,306
Direct Loan Program Disbursements	(204,344)
Net Change in Funds Held for Others	(11,951)
Other Nonoperating Receipts	2,024
Other Nonoperating Disbursements	(7,137)
	717,432
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	20,616
Capital Appropriations	127,365
Capital Grants, Contracts, Donations, and Student Fees	16,227
Proceeds from Sales of Capital Assets	1,416
Purchase or Construction of Capital Assets	(217,842)
Principal Paid on Capital Debt and Leases	(8,236)
Interest Paid on Capital Debt and Leases	(6,578)
	(67,032)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of Investments	1,344,148
Purchase of Investments	(1,433,703)
Investment Income	15,009
	(74,546)
Net Decrease in Cash and Cash Equivalents	(2,379)
Cash and Cash Equivalents, Beginning of Year	3,065
	\$ 686
Cash and Cash Equivalents, End of Year	\$ 686

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

	University
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (729,740)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	120,508
Change in Assets and Liabilities:	
Receivables, Net	3,590
Due from State and Component Units	1,757
Inventories	301
Other Assets	32
Accounts Payable	(3,350)
Salaries and Wages Payable	7,810
Due to State and Component Units	670
Deferred Revenue	(1,280)
Deposits Held in Custody	7
Postemployment Healthcare Benefits Payable	9,493
Compensated Absences Payable	7,238
Liability for Self-Insured Claims	4,731
	\$ (578,233)
 NET CASH USED BY OPERATING ACTIVITIES	
 SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Unrealized losses from investing activities recognized during the 2008-09 fiscal year.	\$ 20,732
Proceeds from State University System Revenue Bonds, Series 2008A, retained by the Florida Department of Education in escrow.	7,736
Acquisition of equipment under installment purchase agreements.	2,139

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The University of Florida is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Florida 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 Board of Governors, or the Trustees if designated by the Board of Governors, selects the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

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

Blended Component Unit. Based on the application of the criteria for determining component units, the University of Florida Self-Insurance Program (the Program), combined with the University of Florida Healthcare Education Insurance Company (HEIC), are included within the University's reporting entity as a blended component unit. The Program was created by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes. The HEIC was created on September 1, 1994, as a self-insurance mechanism created pursuant to Section 1004.24, Florida Statutes. Although legally separate from the University of Florida, the Program's and the HEIC's sole purpose is to assist in providing liability protection for the University and its affiliated individuals and entities, and are therefore reported as if they are part of the University. (See note 17 for more details.)

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

Discretely Presented Component Units. Based on the application of the criteria for determining component units, certain affiliated organizations are included within the University's reporting entity as discretely presented component units. The University further categorizes its component units as Direct-Support Organizations, Health Science Center Affiliates, and Shands Teaching Hospital and Others. 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 discretely presented component units, including copies of audit reports, is available by contacting the Office of University Relations. Condensed financial statements for the University's discretely presented component units are shown in note 21.

Direct-Support Organizations. The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011, are considered component units of the University of Florida and therefore the latest audited financial statements of these organizations are included in the financial statements of the University by discrete presentation. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- University of Florida Foundation, Inc. - Solicits, collects, manages, and directs contributions to the various academic departments and programs of the University, and assists the University in fund raising, public relations, and maintenance of alumni records.
- University of Florida Research Foundation, Inc. - Promotes, encourages, and assists research activities of the University through income derived from or related to the development and commercialization of intellectual properties, which include inventions, discoveries, processes, and work products.
- The University Athletic Association, Inc. - Conducts various inter-collegiate athletic programs for and on behalf of the University.
- Gator Boosters, Inc. - Supports athletic activities at the University.
- The University of Florida Law Center Association, Inc. - Supports the College of Law.
- Florida Foundation Seed Producers, Inc. - Supplies Florida farmers and producers with crop seed and nursery stock. This organization stocks foundation seed of the best-known varieties acceptable to Florida climate and soils in adequate quantities and at reasonable prices.
- Florida 4-H Club Foundation, Inc. - Promotes the educational objectives of the Florida Cooperative Extension Service.

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

- Southwest Florida Research and Education Foundation, Inc. - Provides research and educational support to the University of Florida Southwest Florida Research and Education Center.
- Citrus Research and Education Foundation, Inc. - Expedites citrus production, propagates new plant materials, collects and analyzes environmental impact research data, and provides research and education support to the University of Florida Citrus Research and Education Center at Lake Alfred.
- University of Florida Leadership and Education Foundation, Inc. - Was formed to further agriculture and natural resource education and related activities, promote agriculture and natural resources leadership, and make contributions to and confer benefits upon the University.
- Treasure Coast Agricultural Research Foundation, Inc. - Supports, encourages, and fosters research, education, and extension at the Institute of Food and Agricultural Sciences of the University on issues related to the citrus industry within the Indian River region.
- University of Florida Alumni Association, Inc. - Supports activities of the alumni of the University of Florida.
- University of Florida Investment Corporation - Promotes the educational purposes of the University of Florida by providing investment research, advice, counsel, and management to and for the University Board of Trustees and affiliated organizations of the University.

Health Science Center Affiliates. Several corporations closely affiliated with the University of Florida J Hillis Miller Health Science Center (JHMHC) are considered to be component units of the University of Florida.

These corporations are as follows:

- Florida Clinical Practice Association, Inc.
- University of Florida Jacksonville Physicians, Inc.
- Faculty Associates, Inc.
- Florida Health Professions Association, Inc.
- University of Florida College of Nursing Faculty Practice Association, Inc.
- University of Florida College of Pharmacy Faculty Practice Association, Inc.
- Florida Veterinary Medicine Faculty Association, Inc.
- University of Florida Jacksonville Healthcare, Inc.
- Faculty Clinic, Inc.

The first seven corporations listed are Faculty Practice Plans, as provided for in Board of Governors Regulation 9.017. The Faculty Practice Plans provide educationally-oriented clinical practice settings and opportunities through which faculty members provide health, medical, and dental care to patients as an integral part of their academic activities and their employment as faculty. Because these faculty practice activities generate income, the colleges are authorized to regulate fees generated from faculty practice and maintain Faculty Practice Plans for the orderly collection and distribution of fees. These organizations provide significant support for the clinical instruction function of the JHMHC.

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

University of Florida Jacksonville Healthcare, Inc., a Health Services Support Organization as provided for in Board of Governors Regulation 9.011, engages in strategic alliances and partnerships with nonacademic entities, effecting managed care contracting and provider network development for the JHMHC. Faculty Clinic, Inc., was originally organized to operate a multi-specialty clinic. However, effective January 1, 1995, Faculty Clinic, Inc., was restructured to operate as a facilities management company.

Shands Teaching Hospital and Others.

- Shands Teaching Hospital and Clinics, Inc. (Shands), was incorporated October 15, 1979, as a not-for-profit corporation. Shands, a major tertiary care teaching institution, is a leading referral center in the State of Florida and the southeast United States and facilitates medical education programs at the University.

Shands entered into a contractual agreement, as of July 1, 1980, as subsequently restated and amended, with the Florida State Board of Education to provide for the use of hospital facilities at the JHMHC through December 31, 2030, with renewal provisions. The contractual agreement also provides for the transfer to Shands of all other assets and liabilities arising from the operation of the hospital facilities prior to July 1, 1980. At termination of the contractual agreement, the net assets of Shands revert to the State Board of Education. Legal title to all buildings and improvements transferred to Shands remains with the State of Florida during the term of the contractual agreement. The contractual agreement provides for a 12-month grace period for any event of default, other than the bankruptcy of Shands. In addition, the contractual agreement limits the right of the State Board of Education to terminate the contractual agreement solely to the circumstance in which Shands declares bankruptcy and, in such event, requires net revenues derived from the operation of the hospital facilities to continue to be applied to the payment of Shands' debts.

Under the terms of the contractual agreement, Shands is obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the JHMHC and further agrees to contract with the State Board of Education for the provision of these programs. By operation of law, the University of Florida Board of Trustees has become the successor-in-interest to the State Board of Education.

- University Village Apartments, Inc. (the Corporation), was established in 1969 for the purpose of providing housing for low- and moderate-income families, especially those affiliated with the University of Florida. Capital was contributed at inception by the University of Florida Foundation, Inc., but no capital stock was issued because the Corporation does not operate for the benefit of any special interest. The Corporation provides housing under Section 221(d)(3) of the National Housing Act. The facility consists of 28 two-story buildings and is regulated by the United States Department of Housing and Urban Development as to rent charges and operating methods. The Corporation's major program is its Section 221 insured loan, which is in the repayment phase. Legal title to the property is held by the Corporation.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance

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

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

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

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

The University's discretely presented component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Some follow GASB standards of accounting and financial reporting and some, such as the University of Florida Foundation, Inc., and Shands Teaching Hospital and Clinics, Inc., follow FASB standards of accounting and financial reporting for not-for-profit organizations.

The University follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as

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

administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

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

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease, works of art and historical treasures, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property and \$100,000 for new buildings. For building improvements, the threshold is \$100,000 or less if the amount expended is at least 25 percent of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years, depending on construction
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years

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

contribution was recorded as a restricted revenue. Since the contribution received will be returned to the Federal Government if the Program has excess cash or the University ceases to participate in the Program, NACUBO recommends accounting for the Federal capital contribution as a noncurrent liability. This change decreased the net assets for loans.

3. CASH AND CASH EQUIVALENTS

The amount reported by the University as cash and cash equivalents consist of cash on hand and cash in interest earning demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

4. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool, administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; 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. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University's investments at June 30, 2009, are reported at fair value, as follows:

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

<u>Investment Type</u>	<u>Amount</u>
External Investment Pool - State Treasury	
Special Purpose Investment Account	\$ 692,541,383
State Board of Administration Debt Service Accounts	210,137
United States Government and Federally-	
Guaranteed Obligations	29,644,576
Repurchase Agreements	5,596,200
Bonds and Notes	477,116
Stocks	8,829,584
Certificates of Deposit	750,000
Money Market Funds	310,133
Investment Agreements	43,725,996
Mutual Funds:	
Equities	37,726,877
Bonds	70,201,958
Total University Investments	<u>\$ 890,013,960</u>

Investments of the University’s component units (see note 1) at June 30, 2009, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Treasury Special Purpose Investment Accounts	\$ 113,396,217
State Board of Administration Local Government	
Surplus Funds Trust Fund	375,384
United States Government and Federally-	
Guaranteed Obligations	57,716,073
Federal Agency Obligations	398,722
Bonds and Notes	81,998,104
Investment Agreements	723,144,863
Real Estate Agreements	6,364,324
Stocks	69,225,445
Certificates of Deposit	10,581,435
Money Market Funds	210,277,562
Mutual Funds:	
Equities	322,091,312
Bonds	197,303,835
Commercial Paper	133,000
Total Component Units Investments	<u>\$1,793,006,276</u>

External Investment Pools

The University and its discretely presented component units (see note 1) reported investments at fair value totaling \$692,541,383 and \$113,396,217, respectively, at June 30, 2009, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard and Poor’s and had an effective

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

duration of 1.84 years at June 30, 2009. The University relies on policies developed by the State Treasury for managing interest rate risk and 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 Report.

At June 30, 2009, the University's discretely presented component units reported investments at fair value totaling \$375,384 in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which is administered by State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The component units' investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the actual underlying investments. The LGIP carried a credit rating of AAAM by Standard and Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2009. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate investments. WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$210,137 at June 30, 2009, in the State Board of Administration (SBA) Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, money market funds, mutual funds, and certificates of deposit. For the University, the majority of the other investments are those reported by the University of Florida Self-Insurance Program combined with the University of Florida Healthcare Education Insurance Company, a blended component unit (see note 1), plus amounts invested by the University of Florida Investment Corporation for the University of Florida. For the University's discretely presented component units, other investments are those reported primarily by the University of Florida Foundation, Inc., University of Florida Research Foundation, Inc., The University Athletic Association, Inc., Florida Clinical Practice Association,

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Inc., and Shands Teaching Hospital and Clinics, Inc. The following risks apply to the University’s and its discretely presented component units’ investments other than external investment pools:

- *Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University’s investments in securities must provide sufficient liquidity to pay obligations as they come due. Per the Statement of Investment Guidelines and Objectives of the University of Florida Healthcare Education Insurance Company, the weighted-average duration of the fixed income portfolio shall at all times be less than five years. Investments of the University and its component units (excluding those reporting under FASB standards) in debt securities and bond mutual funds, and their future maturities at June 30, 2009, are as follows:

University Debt Investments Maturities

Types of Investments	Fair Value	Investments Maturities (In Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
United States Government and Federally-Guaranteed Obligations	\$ 29,644,576	\$ 6,059,264	\$ 23,585,312	\$	\$
Bonds and Notes	477,116	4,255	82,387	39,128	351,346
Bond Mutual Funds	70,201,958	15,141	70,117,275	69,542	
Total University	\$ 100,323,650	\$ 6,078,660	\$ 93,784,974	\$ 108,670	\$ 351,346

Component Units Debt Investments Maturities

Types of Investments	Fair Value	Investments Maturities (In Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
United States Government and Federally-Guaranteed Obligations	\$ 4,675,039	\$ 1,372,535	\$ 560,316	\$ 2,742,188	\$
Federal Agency Obligations	398,722	398,722			
Bonds and Notes	30,858,916	316,748	24,066,076	1,940,690	4,535,402
Bond Mutual Funds	6,358,188	1,239,462	4,995,068	123,658	
Total Component Units	\$ 42,290,865	\$ 3,327,467	\$ 29,621,460	\$ 4,806,536	\$ 4,535,402

- *Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2009, the University and its component units (excluding those reporting under FASB standards) had bonds and notes, money market funds, and bond mutual funds, with quality ratings by nationally recognized rating agencies (i.e., Moody’s), as follows:

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University Debt Investments Quality Ratings					
Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less Than A/Ba or Not Rated
Bonds and Notes	\$ 477,116	\$ 28,314	\$ 6,582	\$ 4,785	\$ 437,435
Money Market Funds	310,133	222,299			87,834
Bond Mutual Funds	70,201,958		34,400,913	45,426	35,755,619 (1)
Total University	\$ 70,989,207	\$ 250,613	\$ 34,407,495	\$ 50,211	\$ 36,280,888

Component Units Debt Investments Quality Ratings					
Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less Than A/Ba or Not Rated
Federal Agency Obligations	\$ 398,722	\$ 26,768,852	\$ 398,722	\$ 2,917,873	\$ 129,021
Bonds and Notes	30,858,916	7,278,753	1,043,170	514,319	511,450
Money Market Funds	8,304,522				
Bond Mutual Funds	6,358,188		1,212,537	80,777	5,064,874 (1)
Total Component Units	\$ 45,920,348	\$ 34,047,605	\$ 2,654,429	\$ 3,512,969	\$ 5,705,345

Note: (1) These investments were not rated.

- *Custodial Credit Risk:* Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University’s name. The University has no formal policy on custodial credit risk. The component units manage their custodial credit risk based on various investment policies, which may be obtained separately from the component units.
- *Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the University’s investments in a single issuer. The University has no formal policy on concentration of credit risk. The component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the component units.

5. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for grant and contract reimbursements due from third parties, various sales and services provided to students and third parties, student tuition and fees, and interest accrued on investments and loans receivable. At June 30, 2009, the University reported the following accounts receivable, net of an allowance for uncollectible accounts:

<u>Description</u>	<u>Amount</u>
Grants and Contracts	\$ 84,950,896
Sales of Services of Auxiliary Enterprises	24,432,204
Student Tuition and Fees	4,455,271
Sales and Services of Educational Departments	1,764,732
Interest	2,231,184
Total Accounts Receivable, Net	\$ 117,834,287

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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.

Allowances for Uncollectible Receivables. Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and other appropriate factors. Accounts receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$7,920,279, which is 19 percent of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$3,014,135, which is 7 percent of total related loans and notes receivable.

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

6. DUE FROM STATE

This is the amount of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, and other allocations due from the State for construction of University facilities.

7. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2009. The University's component units' financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units have a fiscal year other than June 30. Additionally, component units' due from and due to amounts include receivables and payables between the various component unit columns. Accordingly, amounts reported by the University as due from and to component units on the statement of net assets may not agree with amounts reported by the component units as due from and to the University.

8. INVENTORIES

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net assets.
- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories

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are reported on the statement of net assets and are valued at cost using either the moving average method or the first-in, first-out method.

9. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 10,922,527	\$	\$ 72,080	\$ 10,850,447
Construction in Progress	84,053,419	166,035,009	139,454,453	110,633,975
Works of Art and Historical Treasures	3,636,335	81,121		3,717,456
Total Nondepreciable Capital Assets	\$ 98,612,281	\$ 166,116,130	\$ 139,526,533	\$ 125,201,878
Depreciable Capital Assets:				
Buildings	\$ 1,609,542,058	\$ 130,751,914	\$ 1,215,025	\$ 1,739,078,947
Infrastructure and Other Improvements	76,822,652	8,564,958		85,387,610
Furniture and Equipment	616,055,519	53,202,307	36,536,049	632,721,777
Library Resources	266,684,236	6,836,830	474,992	273,046,074
Property Under Capital Lease	9,815,002			9,815,002
Works of Art and Historical Treasures	758,771	28,564	5,000	782,335
Computer Software	33,845,424	875,972	508,607	34,212,789
Other Capital Assets	2,406,363	493,686	319,142	2,580,907
Total Depreciable Capital Assets	2,615,930,025	200,754,231	39,058,815	2,777,625,441
Less, Accumulated Depreciation:				
Buildings	654,048,685	48,470,739	834,340	701,685,084
Infrastructure and Other Improvements	45,876,434	3,060,989		48,937,423
Furniture and Equipment	374,054,995	50,002,605	27,161,221	396,896,379
Library Resources	203,629,692	12,153,975	474,992	215,308,675
Property Under Capital Lease	2,636,698	245,375		2,882,073
Works of Art and Historical Treasures	318,674	46,802	5,000	360,476
Computer Software	25,701,449	6,233,616	394,576	31,540,489
Other Capital Assets	1,691,345	293,464	314,808	1,670,001
Total Accumulated Depreciation	1,307,957,972	120,507,565	29,184,937	1,399,280,600
Total Depreciable Capital Assets, Net	\$ 1,307,972,053	\$ 80,246,666	\$ 9,873,878	\$ 1,378,344,841

10. MUSEUM AND ART COLLECTIONS

The Florida Museum of Natural History, which is part of the University, maintains a depository of biological, geological, archaeological, and ethnographical materials. The museum's collections contain more than 28 million specimens, more than half of which are catalogued, either individually or in lots. While many of the collections are undoubtedly quite valuable and irreplaceable, the University has not placed a dollar value on these items and, accordingly, the financial statements do not include these assets.

The Samuel P. Harn Museum of Art, which is also part of the University, maintains a collection of approximately 7,000 works of art. Donations of artwork to the museum are recorded by the University of Florida Foundation, Inc. (Foundation), and are included with reported permanent collections as further explained in note 12 of the Foundation's audited financial statements for the fiscal year ended June 30, 2009.

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Purchases of artwork by the museum are included with the University's reported nondepreciable capital assets as presented in note 9.

11. DEFERRED REVENUE

Deferred revenue includes amounts received prior to the end of the fiscal year, but related to subsequent accounting periods. As of June 30, 2009, the University reported the following amounts as deferred revenue:

<u>Description</u>	<u>Amount</u>
Grants and Contracts	\$ 20,630,415
Sales and Services of Auxiliary Enterprises	6,761,924
Capital Appropriations	<u>20,057,173</u>
Total Deferred Revenue	<u>\$ 47,449,512</u>

12. OTHER CURRENT LIABILITIES

The University maintained accounts with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the University's records showed a temporary cash overdraft, reported as other current liabilities, for the amount of outstanding checks not presented as of June 30, 2009. This did not, however, represent an overdraft in the University's depository accounts.

13. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2009, consist of bonds and revenue certificates, installment purchase agreements, capital leases, compensated absences, postemployment healthcare benefits, liability for self-insured claims, and other noncurrent liabilities. Long-term liability activity for the fiscal year ended June 30, 2009, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Asset Related Debt:					
Bonds and Revenue Certificates	\$ 126,555,117	\$ 9,747,607	\$ 6,927,586	\$ 129,375,138	\$ 7,408,632
Installment Purchase Agreements	4,011,641	2,138,887	1,709,878	4,440,650	2,333,065
Capital Leases	3,611,654		94,215	3,517,439	100,292
Total Capital Asset Related Debt	134,178,412	11,886,494	8,731,679	137,333,227	9,841,989
Other Long-Term Liabilities:					
Compensated Absences	153,520,689	411,236,872	403,999,203	160,758,358	8,665,508
Postemployment Healthcare					
Benefits Payable	10,155,000	16,208,000	6,715,000	19,648,000	
Liability for Self-Insured Claims	95,111,000	20,692,009	15,960,945	99,842,064	12,930,093
Other Noncurrent Liabilities		20,138,018	68,348	20,069,670	
Total Long-Term Liabilities	\$ 392,965,101	\$ 480,161,393	\$ 435,475,175	\$ 437,651,319	\$ 31,437,590

Bonds and Revenue Certificates Payable. Auxiliary revenue bonds were issued to construct parking garages and student housing facilities. Auxiliary revenue bonds outstanding, which include both term and serial bonds, are secured by a pledge of parking fees and housing rental revenues.

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

In the 2005-06 fiscal year, the University deposited with an escrow agent, in an irrevocable trust, amounts sufficient to meet the debt service requirements of certain University Student Housing Revenue Bonds, Series 2000. These defeased bonds are not reported as outstanding debt on the University's statement of net assets. Debt considered defeased at June 30, 2009, totaled \$26,070,000.

On January 14, 2009, the Florida Board of Governors, on behalf of the University, issued \$9,885,538 in State University System Revenue Bonds, Series 2008A. The proceeds of \$9,728,150, net of \$157,388 in discount and delivery date expenses, will be used for capital improvements.

The University had the following bonds and revenue certificates payable at June 30, 2009:

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Bond Type and Series	Amount of Original Issue	Amount Outstanding		Interest Rates (Percent)	Maturity Date To
		Principal	Interest		
Auxiliary Revenue Bonds:					
1959F Housing	\$ 1,500,000	\$ 115,000	\$ 2,625	3.000	2011
1984 Housing	3,500,000	850,000	78,000	3.000	2014
1998 Housing	26,155,000	18,625,000	8,308,192	4.500 - 5.000	2028
2000 Housing	30,695,000	705,000	35,250	5.000	2010
2005A Housing	37,610,000	34,945,000	20,308,756	3.500 - 5.125	2030
1993 Parking Garage	19,545,000	3,680,000	478,000	5.000	2014
1998 Parking Garage	10,000,000	6,240,000	1,564,970	4.125 - 4.750	2019
2007A Parking Garage	20,770,000	20,065,000	8,808,137	3.400 - 4.375	2028
Total Auxiliary Revenue Bonds	149,775,000	85,225,000	39,583,930		
State University System Revenue Bonds:					
1997A Series	4,723,765	3,219,832	686,915	4.750 - 5.000	2016
1998 Series	13,783,839	9,457,505	3,631,179	4.400 - 5.000	2023
2001 Series	4,259,373	3,391,433	1,611,004	4.000 - 5.000	2026
2003A Series	12,359,757	4,929,720	626,424	5.000	2013
2005A Series	8,723,603	7,613,474	2,273,392	3.625 - 4.125	2022
2006A Series	8,470,880	7,864,534	4,886,973	4.000 - 5.000	2030
2008A Series	9,885,538	9,790,802	8,993,816	4.000 - 6.500	2033
Total State University System Revenue Bonds	62,206,755	46,267,300	22,709,703		
Less, Unamortized Bonds Discounts		(888,016)			
Add, Unamortized Bond Premiums		677,299			
Less, Unamortized Refunding Losses		(1,906,445)			
Total	\$ 211,981,755	\$ 129,375,138	\$ 62,293,633		

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 7,408,632	\$ 6,129,827	\$ 13,538,459
2011	7,762,216	5,799,759	13,561,975
2012	8,049,105	5,454,400	13,503,505
2013	8,348,527	5,091,706	13,440,233
2014	7,425,453	4,710,667	12,136,120
2015-2019	35,124,948	18,841,799	53,966,747
2020-2024	29,410,048	11,052,354	40,462,402
2025-2029	22,756,944	4,636,470	27,393,414
2030-2033	5,206,427	576,651	5,783,078
Subtotal	131,492,300	62,293,633	193,785,933
Less, Unamortized Bond Discounts	(888,016)		(888,016)
Add, Unamortized Bond Premiums	677,299		677,299
Less, Unamortized Refunding Losses	(1,906,445)		(1,906,445)
Total	\$ 129,375,138	\$ 62,293,633	\$ 191,668,771

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Installment Purchase Agreements Payable. The University has entered into several installment purchase agreements for the purchase of equipment reported at \$8,158,516. The stated interest rates ranged from 1.62 percent to 12.42 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2009, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 2,333,065	\$ 144,480	\$ 2,477,545
2011	1,264,370	47,799	1,312,169
2012	523,321	15,771	539,092
2013	231,839	4,980	236,819
2014	88,055	644	88,699
Total	<u>\$ 4,440,650</u>	<u>\$ 213,674</u>	<u>\$ 4,654,324</u>

Capital Leases Payable. On June 8, 1994, the former Board of Regents, on behalf of the University of Florida, entered into a lease agreement with the University of Florida Foundation, Inc. (the Foundation), a direct-support organization (component unit) of the University. Under the terms of the agreement, the University agreed to lease from the Foundation a 607-space parking garage (the garage) located near the Health Science Center Administrative Offices for a period of thirty years beginning July 1, 1994. Lease payments of \$100,000 annually are due each July 1. The garage was simultaneously acquired by the Foundation from Shands Teaching Hospital and Clinics, Inc. (Shands), also a component unit, and financed by the Foundation through the issuance of a promissory note secured by a nonrecourse mortgage containing payment terms similar to those in the lease agreement between the Foundation and the University. Lease payments from the University to the Foundation and from the Foundation to Shands were based on an original construction cost of \$3 million and no interest. For reporting purposes, the lease is considered a capital lease under Financial Accounting Standards Board (FASB) Statement No. 13, *Accounting for Leases*. The initial obligation was discounted at an imputed interest rate of 6.45 percent and was recorded at \$1,382,470. The asset, which is included in reported property under capital lease, was recorded at cost to Shands of \$3 million.

On March 1, 2000, the University, acting for and on behalf of the former Board of Regents, entered into a lease agreement with Shands. Under the terms of the agreement, the University agreed to lease from Shands an 800-space parking garage located near the Health Science Center Administrative Offices for a period of thirty years beginning March 1, 2000. Annual lease payments of \$227,167 are due each May 1, beginning May 1, 2001. Lease payment amounts were based on an original construction cost of \$6,815,002 and no interest. For reporting purposes, the lease is considered a capital lease under FASB Statement No. 13,

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Accounting for Leases. The initial obligation was discounted at an imputed interest rate of 6.45 percent and was recorded at \$2,981,939. The asset, which is included in reported property under capital lease, was recorded at cost to Shands of \$6,815,002. A summary of pertinent information related to the two capital leases is as follows:

	Interest Rate (Percent)	Original Balance	Outstanding Balance at 6-30-09
Shands 607-Space Parking Garage	6.45	\$ 1,382,470	\$ 943,294
Shands 800-Space Parking Garage	6.45	2,981,939	2,574,145
Total		\$ 4,364,409	\$ 3,517,439

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 100,292	\$ 226,875	\$ 327,167
2011	106,761	220,406	327,167
2012	113,647	213,520	327,167
2013	120,977	206,190	327,167
2014	128,780	198,387	327,167
2015-2019	779,742	856,092	1,635,834
2020-2024	1,065,809	570,025	1,635,834
2025-2029	888,029	247,804	1,135,833
2030	213,402	13,764	227,166
Total	\$ 3,517,439	\$ 2,753,063	\$ 6,270,502

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the University’s share of the Florida Retirement System and FICA contributions, totaled \$160,758,358. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years, calculated as a percentage of those years’ total compensated absences liability.

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

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

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go-basis. For the 2008-09 fiscal year, 1,141 retirees received postemployment healthcare benefits. The University provided required contributions of \$6,715,000 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 \$11,573,000.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 6,944,000
Amortization of Unfunded Actuarial Accrued Liability	8,582,000
Interest on Normal Cost and Amortization	621,000
Annual Required Contribution	16,147,000
Interest on Net OPEB Obligation	442,000
Adjustment to Annual Required Contribution	(381,000)
Annual OPEB Cost (Expense)	16,208,000
Contribution Toward the OPEB Cost	(6,715,000)
Increase in Net OPEB Obligation	9,493,000
Net OPEB Obligation, Beginning of Year	10,155,000
Net OPEB Obligation, End of Year	\$ 19,648,000

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, 2009, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	17,490,000	41.9%	10,155,000
2008-09	16,208,000	41.4%	19,648,000

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$248,865,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$248,865,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$952,630,000 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26.1 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 other 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.

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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, 2007, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the estimated 2008-09 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for employees covered by Medicare was 9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 28 years.

Other Noncurrent Liabilities. The University participates in the Federal Perkins Loan Program. Under this program, the University receives Federal capital contributions which must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$20,069,670 at June 30, 2009.

14. INTERDEPARTMENTAL AUXILIARY SALES

Interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from expenses and revenues for reporting purposes. The interdepartmental transactions eliminated in the financial statement preparation totaled \$102,169,263 for the fiscal year ended June 30, 2009.

15. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system

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administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to four years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class 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 for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$33,877,529, \$33,574,700, and \$34,080,768, respectively, which were equal to the required contributions for each fiscal year.

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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management 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 PEORP vest at one year of service. There were 1,435 University participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$4,855,659.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account.

There were 5,424 University participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$44,581,028 and employee contributions totaled \$19,797,547.

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Institute of Food and Agricultural Sciences Supplemental Retirement. In 1984, the Florida Legislature enacted the Institute of Food and Agricultural Sciences Supplemental Retirement Act to provide a supplement to the monthly retirement benefit being paid under the Federal Civil Service Retirement System to retirees of the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida. The supplement is designated for IFAS cooperative extension employees employed before July 1, 1983, who are not entitled to benefits from either a State-supported retirement system or social security based on their service with IFAS. It was intended to compensate these IFAS employees for the difference between their Civil Service benefit and the benefits an FRS member receives, which include a social security benefit. No additional persons can become eligible for this supplement.

There were 57 University participants during the 2008-09 fiscal year. Required employer contributions made to the program totaled \$915,018. Employees do not contribute to this program.

Other Retirement Programs. Some University employees participate in the Florida Teachers' Retirement System and the United States Civil Service Retirement System. Two employees were covered by the Florida Teachers' Retirement System during the 2008-09 fiscal year. Employer contributions totaled \$30,350, and employee contributions totaled \$16,713. Sixty-six employees were covered by the United States Civil Service Retirement System during the 2008-09 fiscal year. Employer contributions totaled \$395,691, and employee contributions totaled \$388,452.

16. CONSTRUCTION COMMITMENTS

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

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Project Description	Total Commitment	Completed to Date	Balance Committed
Pathogen Research Facility	\$ 52,939,715	\$ 37,030,837	\$ 15,908,878
Veterinary Medicine Education and Clinical Research Center	57,501,246	6,996,584	50,504,662
Southwest Parking Garage Complex	20,270,410	17,244,784	3,025,626
Cellulosic Ethanol Plant	20,000,000	396,312	19,603,688
Southwest Recreational Center Expansion	16,284,523	421,148	15,863,375
East Campus Office Building	14,955,051	382,542	14,572,509
Counseling and Wellness Center	7,665,217	1,579,669	6,085,548
Chemistry/Biology Building	7,608,204	166,712	7,441,492
Graduate Studies Building (Hough Hall)	11,194,800	4,851,088	6,343,712
Lake Nona Research Facility	6,000,000	1,124,557	4,875,443
Levin Law School Trial Center	5,146,111	4,128,572	1,017,539
Harn Asian Wing	4,980,750	743,843	4,236,907
Corry Village Utilities Infrastructure Improvements	4,187,400	237,135	3,950,265
McCarty Chiller Loop Retrofit	3,946,500	552,378	3,394,122
Biomedical Science Building	3,600,000	202,042	3,397,958
PK Yonge Developmental Research	2,000,000	346,893	1,653,107
Various Noncapital Projects	1,553,237	270	1,552,967
Oil Switch Replacement	1,517,757	633,794	883,963
Reitz Union Renovations and Repairs	1,480,000	686,538	793,462
Aquatic Pathogen Building Addition	1,267,086	62,724	1,204,362
Building Number 0454 Air Handling Unit Replacement	1,159,712	861,991	297,721
2006-07 PK Yonge School Maintenance, Repairs, and Renovations	1,123,669	33,152	1,090,517
2007-08 PK Yonge School Maintenance, Repairs, and Renovations	1,114,248	105,704	1,008,544
Agricultural and Biological Engineering/Horticulture Sciences, Growth Chambers	1,113,394	152,845	960,549
Heating, Ventilation, and Air Conditioning Upgrade on Fourth Floor of Yon Hall	1,054,000	420,448	633,552
Yon Hall Roof, Heating, Ventilation, Air Conditioning, and Window	1,033,574	421,633	611,941
Food Science Building Renovation - Phase 1	1,019,000	371,370	647,630
Subtotal	251,715,604	80,155,565	171,560,039
Projects Under \$1,000,000	43,920,815	30,478,410	13,442,405
Total	\$ 295,636,419	\$ 110,633,975	\$ 185,002,444

17. RISK MANAGEMENT PROGRAMS

State Self-Insurance Programs. The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(3), Florida Statutes, the University participates in State self-insurance programs providing coverage for property and casualty, workers' compensation, general liability, automotive liability,

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and employment action. During the 2008-09 fiscal year, for property losses, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named wind and flood losses. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million, and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, and employment action coverage. All losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State's group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State 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.

University Self-Insurance Programs. The University of Florida Self-Insurance Program (Program) was reestablished by the Florida Board of Governors effective July 1, 2006, by amending Board of Governors Regulation 10.001, merging the then JHMHC Self-Insurance Program and the prior University of Florida JHMHC/Jacksonville Self-Insurance Program. The Program provides general and professional liability protection for the University on behalf of the six health colleges of the JHMHC, which also includes the Student Health Service Auxiliary, the Veterinary Medicine Teaching Hospital, and the University of Florida Proton Therapy Institute. Hospital professional liability protection, including patient general liability, is provided to Shands Teaching Hospital and Clinics, Inc.; Shands Jacksonville Medical Center, Inc.; Shands community hospitals in Starke, Lake City and Live Oak; and other statutorily permitted entities, which voluntarily participate in the Program. The University is protected for losses, which are subject to

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Section 768.28, Florida Statutes, including legislative claims bills, that in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1 million per claim. The Program provides \$2 million per-claim protection for the participants which are not subject to the provisions of Section 768.28, Florida Statutes. The per-claim limit of liability protection for the participants does not exceed \$2 million per claim in the event more than one protected entity is involved in the same claim or action.

Pursuant to Board of Governors Regulation 10.001(2), the University of Florida Self-Insurance Program Council has created the University of Florida Healthcare Education Insurance Company (HEIC), a captive insurance company which is wholly owned by the Board of Governors and domiciled in the State of Vermont. HEIC is managed by a Board of Directors created by the Board of Governors. HEIC provides coverage for claims that are in excess of the protections afforded by the Program, at limits of \$4 million per claim coverage for insured participants subject to Section 768.28, Florida Statutes, and \$3 million per claim for insured participants that are not subject to Section 768.28, Florida Statutes. HEIC provides additional limits of liability coverage of \$50 million per claim and in the aggregate, which is in excess of the coverages described above. The excess insurance is paid to claimants on a first-come, first-serve basis.

Claims settlement and adjustment expenses are accrued as expenses and liabilities of the Program and HEIC. The estimated settlement value of claims, which was determined based on the judgment and experience of management and the Self-Insurance Program Council through a case-by-case review, is reported as a liability for self-insured claims. Estimated losses from incurred but unreported incidents are also accrued based upon the findings of casualty actuaries. The liability for self-insured claims at June 30, 2009, of \$99,842,064, which includes compensatory losses and allocated expenses, was accrued at an undiscounted present value.

At June 30, 2009, aggregate claims liabilities totaling \$426,027 have been removed from the related liabilities on the statement of net assets. Annuity contracts have been purchased for these liabilities in the claimants' names and assigned to third parties upon the claimants' release of the Program and HEIC from all actual and contingent liabilities.

Changes in the balances of claims liabilities for the Program and HEIC during the 2007-08 and 2008-09 fiscal years are as follows:

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Fiscal Year	Claims Liabilities Beginning of Year	Current Claims/ Changes in Estimates	Claim Payments	Claims Liabilities End of Year
2007-08	\$ 88,043,550	\$ 23,847,333	\$ (16,779,883)	\$ 95,111,000
2008-09	95,111,000	20,692,009	(15,960,945)	99,842,064

18. LITIGATION AND CONTINGENCIES

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

Grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the University. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and State laws and regulations.

19. 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 those departments consists of instructional program elements, all expenses of those departments are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses in functional classifications as recommended by NACUBO:

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Functional Classification	Amount (In Thousands)
Instruction	\$ 563,480
Research	466,585
Public Service	405,171
Academic Support	125,362
Student Services	28,209
Institutional Support	106,863
Operation and Maintenance of Plant	106,072
Scholarships, Fellowships, and Waivers, Net	73,751
Auxiliary Operations	125,459
Depreciation	120,508
Total Operating Expenses	\$ 2,121,460

20. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. Transportation and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Department of Housing and Residence Education provides safe and affordable living space for students of the University of Florida. Several revenue bonds have been issued over the years to provide funding for the construction of facilities to house students of the University. A summary of the financial activity for these segments is presented in the following tables:

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Condensed Statement of Net Assets

	Transportation and Parking Services	Department of Housing and Residence Education
Assets		
Current Assets	\$ 10,956,464	\$ 22,701,429
Capital Assets, Net	42,975,611	68,574,421
Other Noncurrent Assets	6,746,401	5,887,300
Total Assets	60,678,476	97,163,150
Liabilities		
Current Liabilities	5,479,955	7,625,960
Noncurrent Liabilities	34,189,502	52,778,681
Total Liabilities	39,669,457	60,404,641
Net Assets		
Invested in Capital Assets, Net of Related Debt	13,028,073	19,008,525
Restricted	4,737,080	5,498,428
Unrestricted	3,243,866	12,251,556
Total Net Assets	\$ 21,009,019	\$ 36,758,509

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

	Transportation and Parking Services	Department of Housing and Residence Education
Operating Revenues (Expenses):		
Operating Revenues	\$ 19,022,308	\$ 40,351,366
Depreciation Expense	(1,657,056)	(3,482,440)
Other Operating Expenses	(13,111,633)	(28,011,911)
Operating Income	4,253,619	8,857,015
Nonoperating Revenues (Expenses):		
Capital Grants, Contracts, Donations, and Fees		1,000,932
Investment Income (Loss)	(42,911)	750,279
Interest on Capital Asset-Related Debt	(1,539,414)	(2,752,523)
Other	(198,821)	(109,734)
Capital Asset-Related Expenses		(1,726,547)
Transfers	(2,491,997)	(441,500)
Net Nonoperating Expenses	(4,273,143)	(3,279,093)
Increase (Decrease) in Net Assets	(19,524)	5,577,922
Net Assets, Beginning of Year	21,028,543	31,180,587
Net Assets, End of Year	\$ 21,009,019	\$ 36,758,509

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Condensed Statement of Cash Flows

	Transportation and Parking Services	Department of Housing and Residence Education
Net Cash Provided (Used) by:		
Operating Activities	\$ 5,800,009	\$ 12,750,155
Noncapital Financing Activities	(1,221,298)	(6,088,832)
Capital and Related Financing Activities	(2,181,034)	(4,775,179)
Investing Activities	(2,395,625)	26,621
Net Increase in Cash and Cash Equivalents	2,052	1,912,765
Cash and Cash Equivalents, Beginning of Year	1,674	20,159,510
Cash and Cash Equivalents, End of Year	\$ 3,726	\$ 22,072,275

21. COMPONENT UNITS

The University has 24 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 summary financial information is from the most recently available audited financial statements for the component units:

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	Direct-Support Organizations (In Thousands)													Total Direct Support Organizations	
	University of Florida Foundation, Inc. 6-30-09	University of Florida Research Foundation, Inc. 6-30-09	The University Athletic Association, Inc. 6-30-09	Gator Boosters, Inc. 6-30-09	The University of Florida Law Center Association, Inc. 6-30-09	Florida Foundation Seed Producers, Inc. 6-30-09	Florida 4-H Club Foundation, Inc. 3-31-09	Southwest Florida Research and Education Foundation, Inc. 6-30-09	Citrus Research and Education Foundation, Inc. 6-30-09	University of Florida Leadership and Education Foundation, Inc. 12-31-08	Treasure Coast Agricultural Research Foundation, Inc. 6-30-09	University of Florida Alumni Association, Inc. 6-30-09	University of Florida Investment Corporation 6-30-09		
Condensed Statement of Net Assets															
Assets:															
Due from Component Units/University	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other Current Assets	79,586	138,597	56,325	2,204	1,434	4,920	1,086	45	823	1,563	457	1,274	288,314	13,883	
Capital Assets, Net	50,672		168,811	36		911		107	51		1	37	220,626		
Other Noncurrent Assets	1,245,971	688	35,060	480	1	249						839	1,283,288		
Total Assets	1,376,229	139,285	261,096	5,891	5,681	5,831	4,385	152	906	4,047	458	2,150	1,806,111		
Liabilities:															
Due to Component Units/University	7,600	13,314	105	4,344		2,210							27,573		
Other Current Liabilities	16,319	26,319	67,260	315	181	44	217	2	30	870		848	112,405		
Noncurrent Liabilities	21,445	31,800	96,971	200								882	151,298		
Total Liabilities	45,364	71,433	164,336	4,859	181	2,254	217	2	30	870		1,730	291,276		
Net Assets:															
Invested in Capital Assets, Net of Related Debt	8,701		79,615	36		910		108	51		1	37	89,459		
Restricted-Endowment	1,124,466			479	2,042		2,677			2,233			1,131,897		
Restricted-Other	247,019		333		2,672		1,086						251,110		
Unrestricted	(49,321)	67,852	16,812	517	786	2,667	405	42	825	944	457	383	42,369		
Total Net Assets	\$ 1,330,865	\$ 67,852	\$ 96,760	\$ 1,032	\$ 5,500	\$ 3,577	\$ 4,168	\$ 150	\$ 876	\$ 3,177	\$ 458	\$ 420	\$ 1,514,835		
Condensed Statement of Revenues, Expenses, and Changes in Net Assets															
Operating Revenues	\$ 100,299	\$ 56,957	\$ 65,564	\$ 38,614	\$ 396	\$ 2,191	\$ 1,893	\$ 30	\$ 510	\$ 3,100	\$	\$ 2,085	\$ 271,639		
Operating Expenses	(164,783)	(49,661)	(94,743)	(2,719)	(966)	(1,767)	(1,756)	(42)	(616)	(3,169)	(4)	(5,695)	(328,134)		
Operating Income (Loss)	(64,484)	7,296	(29,179)	35,895	(570)	424	137	(12)	(106)	(69)	(4)	(3,610)	(56,495)		
Nonoperating Revenues (Expenses):															
Investment Income (Loss)	(64,840)	1,308	1,796	1,269	(871)	47	(814)	1	15	(574)	4	10	(62,649)		
Decrease in the Fair Value of Investments	(146,693)	(15,657)	(12,085)										(174,435)		
Addition to Permanent Endowments	46,372			16									46,388		
Other	(5,350)	2,729	(4,834)		5		(35)			(73)			(7,558)		
Transfers from/(to) Component Units	(3,416)		39,033	(40,585)	72							3,610	2,528	1,242	
Change in Net Assets	(238,411)	(4,324)	(5,269)	(3,405)	(1,364)	471	(712)	(11)	(91)	(716)			325	(253,507)	
Net Assets, Beginning of Year	1,569,276	72,176	102,029	4,437	6,864	3,106	4,880	161	967	3,893	458	95	1,768,342		
Net Assets, End of Year	\$ 1,330,865	\$ 67,852	\$ 96,760	\$ 1,032	\$ 5,500	\$ 3,577	\$ 4,168	\$ 150	\$ 876	\$ 3,177	\$ 458	\$ 420	\$ 1,514,835		

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

	Health Science Center Affiliates (In Thousands)									
	Florida Clinical Practice Association, Inc. 6-30-09	University of Florida Jacksonville Physicians, Inc. 6-30-09	Faculty Associates, Inc. 6-30-09	Florida Health Professions Association, Inc. 6-30-09	University of Florida College of Nursing Faculty Practice Association, Inc. 6-30-09	University of Florida College of Pharmacy Faculty Practice Association, Inc. 6-30-09	Florida Veterinary Medicine Faculty Association, Inc. 6-30-09	University of Florida Jacksonville Healthcare, Inc. 6-30-09	Faculty Clinic, Inc. 6-30-09	Total Health Science Center Affiliates
Condensed Statement of Net Assets										
Assets:										
Due from Component Units/University	\$ 3,466	\$ 2,901	\$	\$	\$	\$	\$ 5	\$	\$	\$ 6,372
Other Current Assets	57,311	38,717	5,277	4,211	4,004	868	3,576	357	2,179	116,500
Capital Assets, Net	6,112	12,760			910			4,333	3,671	27,786
Other Noncurrent Assets	42,709	107							1,587	44,403
Total Assets	109,598	54,485	5,277	4,211	4,914	868	3,576	4,695	7,437	195,061
Liabilities:										
Due to Component Units/University		4,562						2,317	34	6,913
Other Current Liabilities	9,955	3,276	943	66		48	36	2,009	401	16,734
Noncurrent Liabilities	31	14,538		996					5,400	20,965
Total Liabilities	9,986	22,376	943	1,062		48	36	4,326	5,835	44,612
Net Assets:										
Invested in Capital Assets, Net of Related Debt	6,039	3,025			910			4,333	(2,029)	12,278
Restricted									1,500	1,500
Unrestricted	93,573	29,084	4,334	3,149	4,004	820	3,540	(3,964)	2,131	136,671
Total Net Assets	\$ 99,612	\$ 32,109	\$ 4,334	\$ 3,149	\$ 4,914	\$ 820	\$ 3,540	\$ 369	\$ 1,602	\$ 150,449
Condensed Statement of Revenues, Expenses, and Changes in Net Assets										
Operating Revenues	\$ 263,485	\$ 163,500	\$ 18,143	\$ 7,109	\$ 603	\$ 57	\$ 6,047	\$ 360	\$ 376	\$ 459,680
Operating Expenses	(68,835)	(83,049)	(1,829)	(86)	(45)	(262)	(403)	(21,154)	(1,265)	(176,928)
Operating Income (Loss)	194,650	80,451	16,314	7,023	558	(205)	5,644	(20,794)	(889)	282,752
Nonoperating Revenues (Expenses):										
Investment Income	737	194		14	45	21	15		43	1,069
Decrease in the Fair Value of Investments						(7)				(7)
Other	(222,821)	(97,861)	(17,448)	(6,894)	1		(4,793)	(8)	(130)	(349,954)
Transfers from/(to) Component Units	32,754	15,157			(500)			20,802	990	69,203
Change in Net Assets	5,320	(2,059)	(1,134)	143	104	(191)	866	14	14	3,063
Net Assets, Beginning of Year	69,780	21,878	5,937	2,486	5,013	1,011	2,669	369	1,589	110,732
Adjustments to Beginning Net Assets	24,512	12,290	(469)	520	(203)		5		(1)	36,654
Net Assets, Beginning of Year, as Restated	94,292	34,168	5,468	3,006	4,810	1,011	2,674	369	1,588	147,386
Net Assets, End of Year	\$ 99,612	\$ 32,109	\$ 4,334	\$ 3,149	\$ 4,914	\$ 820	\$ 3,540	\$ 369	\$ 1,602	\$ 150,449

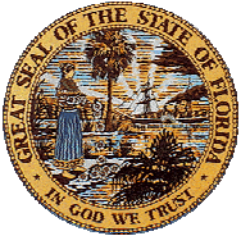
UNIVERSITY OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

	Shands Teaching Hospital and Others		
	(In Thousands)		
	Shands Teaching Hospital and Clinics, Inc. 6-30-09	University Village Apartments, Inc. 6-30-09	Total Shands Teaching Hospital and Others
Condensed Statement of Net Assets			
Assets:			
Due from Component Units/University	\$ 8,179	\$ 39	\$ 8,218
Other Current Assets	648,837	162	648,999
Capital Assets, Net	904,574	608	905,182
Other Noncurrent Assets	120,851	651	121,502
Total Assets	1,682,441	1,460	1,683,901
Liabilities:			
Due to Component Units/University	4,000		4,000
Other Current Liabilities	259,057	559	259,616
Noncurrent Liabilities	850,692	284	850,976
Total Liabilities	1,113,749	843	1,114,592
Net Assets:			
Invested in Capital Assets, Net of Related Debt	267,148	203	267,351
Restricted	8,426		8,426
Unrestricted	293,118	414	293,532
Total Net Assets	\$ 568,692	\$ 617	\$ 569,309
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues	\$ 1,722,176	\$ 1,356	\$ 1,723,532
Operating Expenses	(1,602,236)	(1,400)	(1,603,636)
Operating Income (Loss)	119,940	(44)	119,896
Nonoperating Revenues (Expenses):			
Investment Income	9,106	3	9,109
Decrease in the Fair Value of Investments	(52,408)		(52,408)
Other	(225,358)	(13)	(225,371)
Transfers to Component Units	(34,760)		(34,760)
Change in Net Assets	(183,480)	(54)	(183,534)
Net Assets, Beginning of Year	752,172	671	752,843
Net Assets, End of Year	\$ 568,692	\$ 617	\$ 569,309

**UNIVERSITY OF FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007 (1)	\$	\$ 269,126,000 248,865,000	\$ 269,126,000 248,865,000	0% 0%	\$ 788,731,602 952,630,000	34.1% 26.1%

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



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

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

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to University management in our operational audit report No. 2010-078.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
January 26, 2010