

# UNIVERSITY OF WEST FLORIDA

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2012



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

General Charles A. Horner, Retired, Chair  
Lewis Bear, Jr., Vice Chair  
David E. Cleveland  
Dr. Pamela J. Dana from 1-19-12  
Joshua Finley to 4-12-12 (1)  
Randall W. Hanna to 10-13-11 (2)  
Robert L. Jones  
J. Collier Merrill  
Cora Merritt from 4-13-12 (1)  
Susan K. O'Connor  
John "Mort" O'Sullivan  
Jayprakash "Jay" S. Patel  
Dr. Richie G. Platt to 7-14-11 (3)  
Dr. Chris Pomory from 7-15-11 (3)  
Bentina C. Terry  
Garrett W. Walton

Dr. Judith A. Bense, President

- Notes: (1) Student body president.  
(2) Board member resigned on October 13, 2011,  
and position remained vacant until filled on  
January 19, 2012.  
(3) Faculty Senate Chair.

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

The audit team leader was Kenneth C. Danley, CPA, and the audit was supervised by James W. Kiedinger, Jr., CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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

UNIVERSITY OF WEST FLORIDA  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

### Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Audit Objectives and Scope

Our audit objectives were to determine whether the University of West Florida and its officers with administrative and stewardship responsibilities for University operations had:

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

### Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of West Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of West Florida and of its aggregate discretely presented component units as of June 30, 2012, 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.

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

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

Respectfully submitted,



David W. Martin, CPA  
February 1, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2012, 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 \$240.2 million at June 30, 2012. This balance reflects a \$10.5 million, or 4.2 percent, decrease from June 30, 2011, and resulted primarily from a significant decrease in the amount due from the State for construction and from the removal of capital assets costing between \$1,000 and \$4,999 as a result of a change in the University's capitalization threshold. While assets decreased, the University's liabilities increased by \$4.1 million, or 16.2 percent, and totaled \$29.4 million at June 30, 2012. The increase in liabilities resulted primarily from a significant increase in the liability for other postemployment benefits payable. As a result, the University's net assets decreased by \$14.6 million, or 6.5 percent, resulting in a fiscal year-end balance of \$210.9 million.

The University's operating revenues totaled \$71.4 million for the 2011-12 fiscal year, representing a 13.5 percent increase from the 2010-11 fiscal year. The increase resulted primarily from an increase in student tuition and fees. The University's operating expenses totaled \$164.2 million for the 2011-12 fiscal year and did not significantly differ from the 2010-11 fiscal year.

### OVERVIEW OF FINANCIAL STATEMENTS

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

- University of West Florida Foundation, Inc.
- West Florida Historic Preservation, Inc.
- UWF Business Enterprises, Inc.

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

### THE STATEMENT OF NET ASSETS

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

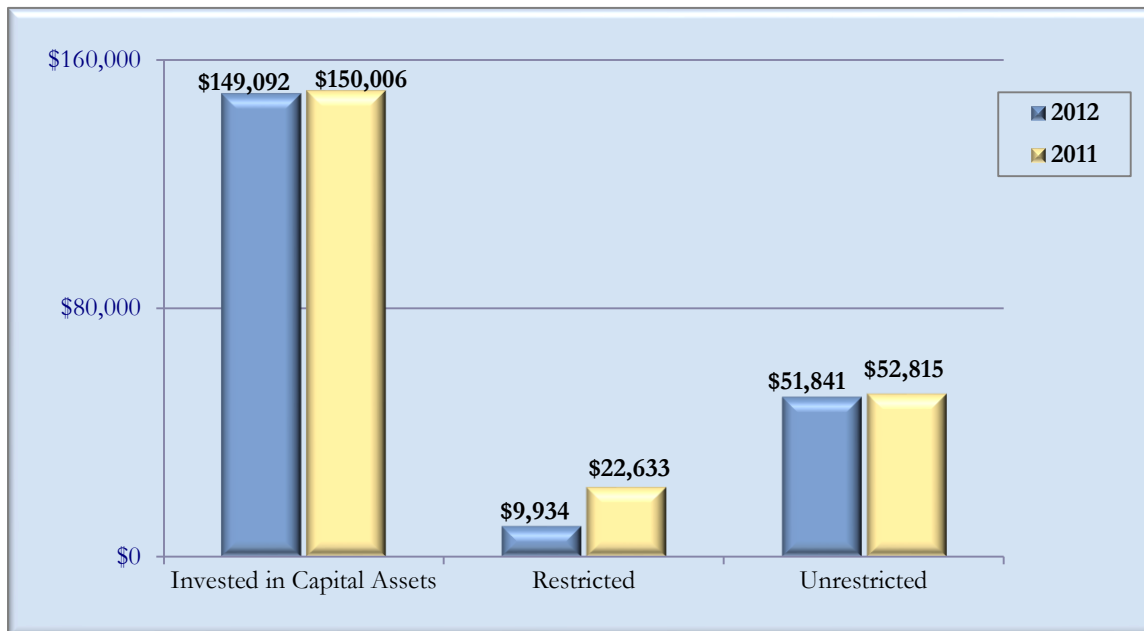
The following summarizes the University’s assets, liabilities, and net assets at June 30:

**Condensed Statement of Net Assets at June 30  
(In Thousands)**

	2012	2011
<b>Assets</b>		
Current Assets	\$ 85,709	\$ 92,170
Capital Assets, Net	149,092	150,006
Other Noncurrent Assets	5,448	8,560
<b>Total Assets</b>	<b>240,249</b>	<b>250,736</b>
<b>Liabilities</b>		
Current Liabilities	10,379	9,581
Noncurrent Liabilities	19,003	15,701
<b>Total Liabilities</b>	<b>29,382</b>	<b>25,282</b>
<b>Net Assets</b>		
Invested in Capital Assets	149,092	150,006
Restricted	9,934	22,633
Unrestricted	51,841	52,815
<b>Total Net Assets</b>	<b>\$ 210,867</b>	<b>\$ 225,454</b>

The University’s comparative net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

**Net Assets  
(In Thousands)**



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

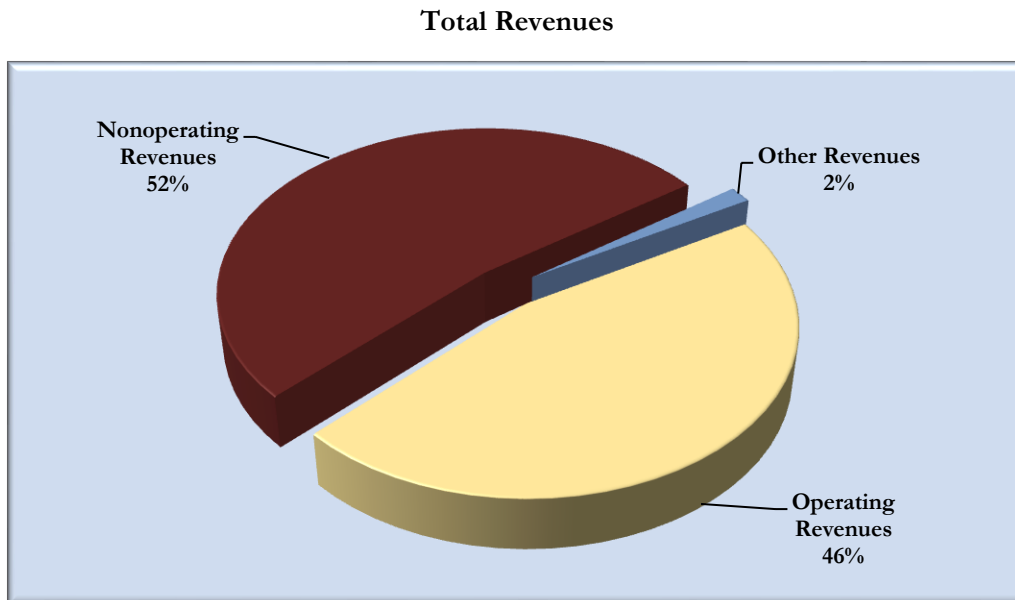
The statement of revenues, expenses, and changes in net assets presents the University’s revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University’s activity for the 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
Operating Revenues	\$ 71,398	\$ 62,879
Less, Operating Expenses	<u>164,220</u>	<u>165,409</u>
<b>Operating Loss</b>	(92,822)	(102,530)
Net Nonoperating Revenues	<u>75,861</u>	<u>94,790</u>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	(16,961)	(7,740)
Other Revenues, Expenses, Gains, or Losses	<u>2,374</u>	<u>17,399</u>
<b>Net Increase (Decrease) In Net Assets</b>	(14,587)	9,659
Net Assets, Beginning of Year	<u>225,454</u>	<u>215,795</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 210,867</u></u>	<u><u>\$ 225,454</u></u>

The following chart provides a graphical presentation of the University’s revenues by category for the 2011-12 fiscal year:



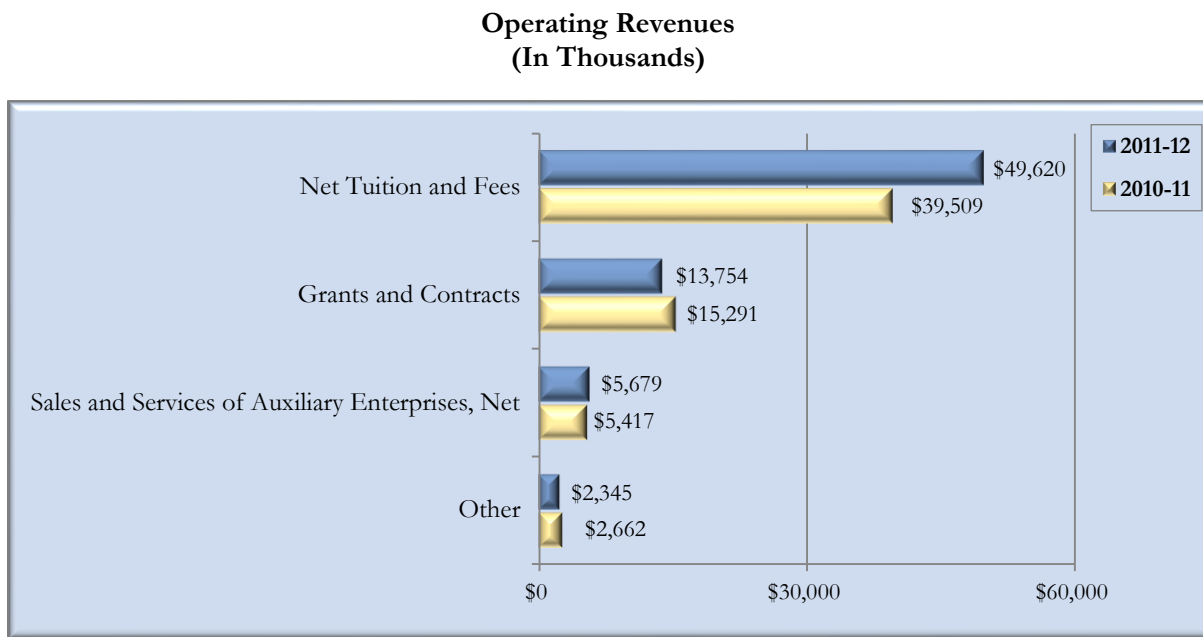
**Operating Revenues**

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

The following summarizes the University’s operating revenues by source that were used to fund operating activities for the 2011-12 and 2010-11 fiscal years:

<b>Operating Revenues (In Thousands)</b>		
	2011-12	2010-11
Net Tuition and Fees	\$ 49,620	\$ 39,509
Grants and Contracts	13,754	15,291
Sales and Services of Auxiliary Enterprises, Net	5,679	5,417
Other	2,345	2,662
<b>Total Operating Revenues</b>	<b>\$ 71,398</b>	<b>\$ 62,879</b>

The following chart presents the University’s operating revenues for the 2011-12 and 2010-11 fiscal years:



Total operating revenues for the 2011-12 fiscal year were \$71.4 million, of which \$67.5 was from gross student tuition and fees. Tuition allowances, which represent the difference between the stated charges for goods and services provided by the University, and the amount that is actually paid by a student or third party making payment on behalf of the student, totaling \$17.9 million. As a result, net tuition and fees was \$49.6 million, which represents an increase of \$10.1 million, or 25.6 percent, over the 2010-11 fiscal year. This increase was due to increased student enrollment and higher tuition and fee rates coupled with a decrease in tuition allowances resulting from a change in the mix of financial aid awarded by the University. The decrease in contracts and grants revenue is attributable to a decline in the number of participants in the University’s Supplemental Educational Services program and the expiration of a state grant related to the University’s Small Business Development Center.

**Operating Expenses**

Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in

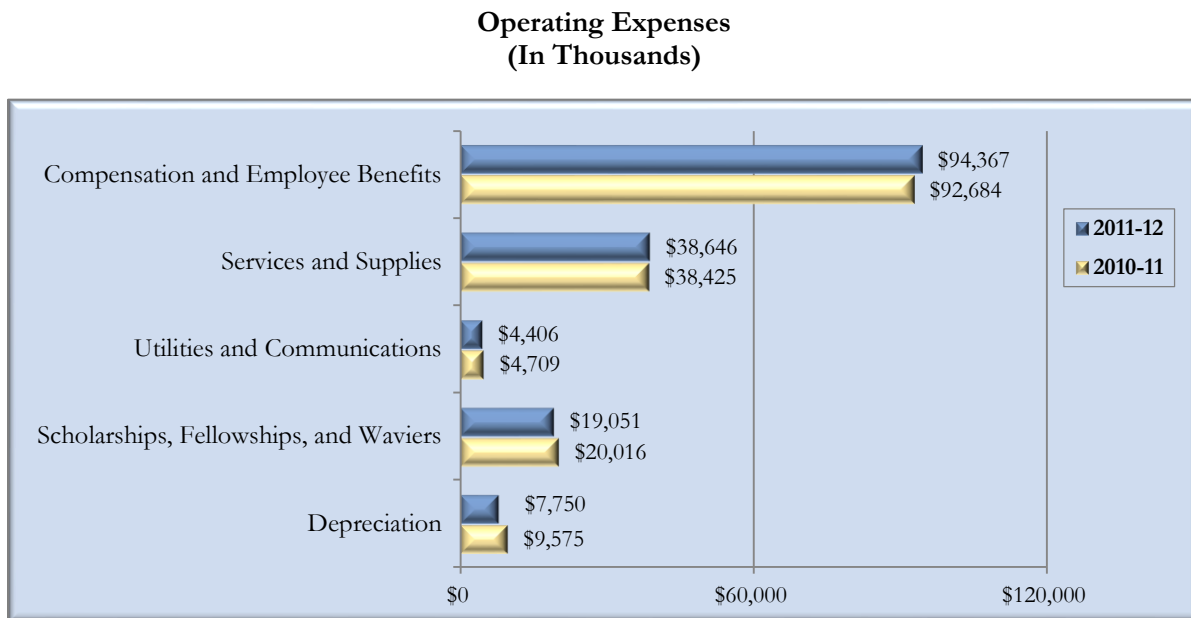
their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the University’s operating expenses by natural classifications for the 2011-12 and 2010-11 fiscal years:

**Operating Expenses  
For the Fiscal Years  
(In Thousands)**

	2011-12	2010-11
Compensation and Employee Benefits	\$ 94,367	\$ 92,684
Services and Supplies	38,646	38,425
Utilities and Communications	4,406	4,709
Scholarships, Fellowships, and Waivers	19,051	20,016
Depreciation	7,750	9,575
<b>Total Operating Expenses</b>	<b>\$ 164,220</b>	<b>\$ 165,409</b>

The following chart presents the University’s operating expenses for the 2011-12 and 2010-11 fiscal years:



The \$1.7 million increase in compensation and employee benefits was the result of \$2.7 million increase in the liability for other postemployment benefits payable, a 2 percent salary increase provided to University faculty and staff effective April 2012, and a decrease in employee benefits expense resulting from changes in employer contributions to State retirement programs. Depreciation decreased by \$1.8 million due primarily to the removal of capital assets costing between \$1,000 and \$4,999 as a result of a change in the University’s capitalization threshold.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University’s nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

**Nonoperating Revenues (Expenses)**  
(In Thousands)

	2011-12	2010-11
State Noncapital Appropriations	\$ 52,917	\$ 58,698
Federal and State Student Financial Aid	24,029	27,738
State Appropriated American Recovery and Reinvestment Act Funds		4,322
Noncapital Grants, Contracts, & Gifts	2,255	2,155
Investment Income	2,021	1,485
Other Nonoperating Revenues	95	428
Loss on Disposal of Capital Assets	(139)	(36)
Other Nonoperating Expenses	(5,317)	
<b>Net Nonoperating Revenues</b>	<b>\$ 75,861</b>	<b>\$ 94,790</b>

The University's State noncapital appropriations decreased by \$5.8 million as the State continued to suffer from revenue collections below expectations. An additional \$4.3 million decrease resulted from the curtailment of the State Appropriation related to the American Recovery and Reinvestment Act (ARRA). The elimination of year round Pell grants and the Federal ACG and SMART financial aid programs, coupled with more restrictive eligibility requirements and a reduction in award amounts under the Florida Bright Futures Scholarship program, resulted in a \$3.7 million decline in Federal and State student financial aid revenue. The \$5.3 million increase in other nonoperating expenses is the result of the removal of capital assets costing between \$1,000 and \$4,999 as a result of a change in the University's capitalization threshold.

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

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Capital Appropriations	\$ 2,163	\$ 17,220
Capital Grants, Contracts, Donations, and Fees	211	179
<b>Total</b>	<b>\$ 2,374</b>	<b>\$ 17,399</b>

The \$15.1 million decrease in capital appropriations resulted from the reduction in State funding for construction projects.

**THE STATEMENT OF CASH FLOWS**

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning

income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes the University's cash flows for the 2011-12 and 2010-11 fiscal years:

	<u>2011-12</u>	<u>2010-11</u>
Cash Provided (Used) by:		
Operating Activities	\$ (80,057)	\$ (93,940)
Noncapital Financing Activities	79,548	95,241
Capital and Related Financing Activities	(490)	3,791
Investing Activities	<u>(2,900)</u>	<u>(4,733)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(3,899)	359
Cash and Cash Equivalents, Beginning of Year	<u>8,065</u>	<u>7,706</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 4,166</u>	<u>\$ 8,065</u>

Major sources of funds came from State noncapital appropriations (\$52.9 million), net student tuition and fees (\$48.2 million), Federal direct student loans (\$46.3 million); Federal and State student financial aid (\$24 million), grants and contracts (\$16.1 million), and State capital appropriations (\$11.9 million). Major uses of funds were for payments made to and on behalf of employees (\$91.1 million); payments to suppliers for goods and services (\$42.7 million); disbursement of Federal direct student loans (\$46.3 million); payments to and on behalf of students for scholarships and fellowships (\$19.1 million); and the purchase or construction of capital assets (\$12.6 million).

While cash provided by tuition and fees increased significantly, cash used for operating expenses, primarily employee compensation and benefits, decreased, resulting in a decrease in cash used by operations. However, the decrease in cash inflows from noncapital financing activities and capital and related financing activities, attributable primarily to the decrease in State noncapital appropriations and State capital appropriations, respectively, exceeded the reduction in cash outflows from operations, resulting in a decline in investing activity when compared to the 2010-11 fiscal year.

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

##### **CAPITAL ASSETS**

At June 30, 2012, the University had \$275.6 million in capital assets, less accumulated depreciation of \$126.5 million, for net capital assets of \$149.1 million. Depreciation charges for the 2011-12 fiscal year totaled \$7.8 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

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

	<u>2012</u>	<u>2011</u>
Land	\$ 9,606	\$ 9,606
Works of Art and Historical Treasures	10,798	10,685
Construction in Progress	10,539	6,446
Buildings	91,508	90,966
Infrastructure and Other Improvements	14,498	15,288
Furniture and Equipment	7,682	12,489
Library Resources	4,377	4,327
Leasehold Improvements	3	8
Computer Software	81	191
<b>Capital Assets, Net</b>	<b><u>\$149,092</u></b>	<b><u>\$150,006</u></b>

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

**CAPITAL EXPENSES AND COMMITMENTS**

Major capital expenses through June 30, 2012, were incurred primarily for construction of the College of Business Education Center. The University's major capital commitments at June 30, 2012, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 28,241
Completed to Date	<u>20,095</u>
<b>Balance Committed</b>	<b><u>\$ 8,146</u></b>

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

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University's economic position is influenced by that of the State of Florida. The University expects the recent declines in State support to continue. Management continues to monitor this situation closely and is confident in its ability to meet these economic challenges through cost saving measures and increases in alternate revenue sources, including increases in revenue stemming from increased enrollment and increased student tuition and fees.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Colleen M. Asmus, CPA, Associate Vice President for Finance/Controller, University of West Florida, 11000 University Parkway, Pensacola, Florida 32514.

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**BASIC FINANCIAL STATEMENTS**


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**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2012**

	University	Component Units
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,626,398	\$ 5,692,135
Investments	71,150,834	1,251,515
Accounts Receivable, Net	5,219,226	2,947,977
Loans and Notes Receivable, Net	37,299	55,816
Due from State	7,675,821	
Inventories		193,185
Other Current Assets		84,894
	<b>Total Current Assets</b>	<b>10,225,522</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,539,301	14,498,140
Restricted Investments		56,118,274
Loans and Notes Receivable, Net	2,908,390	
Depreciable Capital Assets, Net	118,149,419	41,059,562
Nondepreciable Capital Assets	30,942,315	19,976,106
Other Noncurrent Assets		1,479,961
	<b>Total Noncurrent Assets</b>	<b>133,132,043</b>
	<b>Total Assets</b>	<b>\$ 143,357,565</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 3,568,009	\$ 2,070,663
Construction Contracts Payable	1,191,388	
Salaries and Wages Payable	1,893,932	
Deposits Payable	1,474,757	34,119
Deferred Revenue	1,241,564	
Other Current Liabilities	43,091	
Long-Term Liabilities - Current Portion:		
Bonds Payable		1,896,000
Note Payable		37,260
Compensated Absences Payable	966,219	
Deferred Revenue		1,068,830
Sublease Liability		66,153
	<b>Total Current Liabilities</b>	<b>5,173,025</b>

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (CONTINUED)**  
**June 30, 2012**

	<b>University</b>	<b>Component Units</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	\$	\$ 55,166,717
Note Payable		1,062,740
Compensated Absences Payable	10,287,499	176,380
Other Postemployment Benefits Payable	7,179,000	
Deferred Revenue		1,058,231
Sublease Liability		18,158
Other Noncurrent Liabilities	1,536,278	200,360
<b>Total Noncurrent Liabilities</b>	<b>19,002,777</b>	<b>57,682,586</b>
<b>TOTAL LIABILITIES</b>	<b>29,381,737</b>	<b>62,855,611</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	149,091,734	5,199,949
Restricted for Nonexpendable:		
Endowment		46,975,466
Restricted for Expendable:		
Loans	2,279,981	
Capital Projects	7,261,528	
Other	392,901	16,160,048
Unrestricted	51,841,122	12,166,491
<b>TOTAL NET ASSETS</b>	<b>210,867,266</b>	<b>80,501,954</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 240,249,003</b>	<b>\$ 143,357,565</b>

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

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2012**

	<b>University</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$17,944,111	\$ 49,619,542	\$
Federal Grants and Contracts	11,602,958	
State and Local Grants and Contracts	2,120,841	
Nongovernmental Grants and Contracts	30,728	
Sales and Services of Auxiliary Enterprises	5,678,532	
Sales and Services of Component Units		96,618
Gifts and Donations		2,827,448
Interest on Loans and Notes Receivable	68,406	
Other Operating Revenues	2,277,543	10,309,246
<b>Total Operating Revenues</b>	<b>71,398,550</b>	<b>13,233,312</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	94,366,654	1,902,767
Services and Supplies	38,646,421	3,689,068
Utilities and Communications	4,406,421	1,080,398
Scholarships, Fellowships, and Waivers	19,050,520	35,732
Depreciation	7,750,295	2,046,078
<b>Total Operating Expenses</b>	<b>164,220,311</b>	<b>8,754,043</b>
<b>Operating Income (Loss)</b>	<b>(92,821,761)</b>	<b>4,479,269</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	52,917,530	
Federal and State Student Financial Aid	24,029,328	
Noncapital Grants, Contracts, and Donations	2,254,680	
Investment Income (Loss)	2,020,574	(1,746,922)
Other Nonoperating Revenues	94,880	
Loss on Disposal of Capital Assets	(138,687)	
Interest on Capital Asset-Related Debt		(1,856,121)
Other Nonoperating Expenses	(5,317,547)	(2,345,965)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>75,860,758</b>	<b>(5,949,008)</b>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(16,961,003)</b>	<b>(1,469,739)</b>
State Capital Appropriations	2,162,977	
Capital Grants, Contracts, Donations, and Fees	211,071	238,000
Additions to Permanent Endowments	1,438,586	1,438,586
<b>Increase (Decrease) in Net Assets</b>	<b>(14,586,955)</b>	<b>206,847</b>
<b>Net Assets, Beginning of Year</b>	<b>225,454,221</b>	<b>80,295,107</b>
<b>Net Assets, End of Year</b>	<b>\$ 210,867,266</b>	<b>\$ 80,501,954</b>

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

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2012**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 48,225,726
Grants and Contracts	16,127,190
Sales and Services of Auxiliary Enterprises	5,658,532
Interest on Loans and Notes Receivable	41,053
Payments to Employees	(91,056,120)
Payments to Suppliers for Goods and Services	(42,738,547)
Payments to Students for Scholarships and Fellowships	(19,050,520)
Loans Issued to Students	(483,299)
Collection on Loans to Students	340,790
Other Operating Receipts	2,877,966
<b>Net Cash Used by Operating Activities</b>	<b>(80,057,229)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	52,917,530
Federal and State Student Financial Aid	24,029,328
Noncapital Grants, Contracts, and Donations	2,254,680
Federal Direct Loan Program Receipts	46,263,006
Federal Direct Loan Program Disbursements	(46,263,006)
Net Change in Funds Held for Others	273,841
Other Nonoperating Receipts	72,137
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>79,547,516</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	11,876,412
Capital Grants, Contracts, Donations, and Fees	211,071
Purchase or Construction of Capital Assets	(12,577,294)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(489,811)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	84,732,614
Purchase of Investments	(89,204,029)
Investment Income	1,571,600
<b>Net Cash Used by Investing Activities</b>	<b>(2,899,815)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(3,899,339)</b>
Cash and Cash Equivalents, Beginning of Year	8,065,038
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,165,699</b>

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (CONTINUED)  
For the Fiscal Year Ended June 30, 2012**

	<b>University</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (92,821,761)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,750,295
Change in Assets and Liabilities:	
Receivables, Net	582,974
Other Current Assets	10,898
Accounts Payable	351,206
Salaries and Wages Payable	(40,817)
Deposits Payable	155,080
Compensated Absences Payable	634,350
Deferred Revenue	560,455
Other Current Liabilities	43,091
Other Postemployment Benefits Payable	2,717,000
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (80,057,229)</b>
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES</b>	
Expenses from the change in the capitalization threshold for tangible personal property were recognized on the statement of revenues, expenses, and changes in net assets as other nonoperating expenses, but are not cash transactions for the statement of cash flows.	\$ (5,317,547)
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 472,869
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (138,687)

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

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

- University of West Florida Foundation, Inc. (Foundation), provides funding and services to support and foster the pursuit of higher education at the University, and operates solely for the benefit of the University and its mission of teaching, research, and service. The Foundation serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. The Foundation does not serve any private causes, but generally benefits the public.
- West Florida Historic Preservation, Inc., was established to engage in the restoration and exhibition of historical landmarks in the Pensacola, Florida vicinity. This organization conducts certain activities and programs that assist and promote the purposes of the University.
- UWF Business Enterprises, Inc. (BEI), was established on September 23, 2011, as a not-for-profit direct-support organization of the University. The primary purpose of BEI is to receive, hold, develop, provide, maintain, and administer property and to make expenditures to or for the exclusive benefit of the

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

University or a research and development park or research and development authority of or affiliated with the University, and to promote, encourage, and provide assistance to the research activities of faculty, staff, and students of the University.

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

**Basis of Presentation.** The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net 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 component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The University of West Florida Foundation, Inc., follows FASB standards of accounting and financial reporting for

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

not-for-profit organizations. The West Florida Historic Preservation, Inc., and the UWF Business Enterprises, Inc., follow GASB standards of accounting and financial reporting.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University has elected to apply those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

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

**Cash and Cash Equivalents.** Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to purchase or construct capital or other restricted assets, are classified as restricted.

**Capital Assets.** University capital assets consist of land; works of art and historical treasures; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; leasehold improvements; and computer software. These assets are capitalized and recorded at cost at the date of acquisition

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

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 Florida Board of Governors approved a revision to Board of Governors Regulation 9.002, *Recording and Marking of Property*, effective July 1, 2011. The revision was intended to achieve administrative efficiencies and cost savings by increasing the capitalization threshold of tangible personal property from \$1,000 to \$5,000. Previously capitalized personal property costing less than \$5,000 and related accumulated depreciation were written off during the 2011-12 fiscal year. The adjustment column in the capital assets note disclosure shows the change by category resulting from the increase in the threshold.

The change in this threshold resulted in a \$5,317,547 other nonoperating expense in the statement of revenues, expenses, and changes in net assets. This is a nonrecurring, noncash item and has been reported in the supplemental disclosure of noncash investing and capital financing activities section of the cash flow statement.

The University has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for new buildings and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Capital assets of the University of West Florida Foundation, Inc., consist of land, construction in progress, office equipment and software, and property held under capital lease. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of donations. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets.

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

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

Capital assets of UWF Business Enterprises, Inc., consist of land, buildings, infrastructure and other improvements, and furniture, fixtures, and equipment. Assets with useful lives in excess of one year and a value in excess of \$1,000 are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of donations. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets.

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

**2. INVESTMENTS**

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University’s Board of Trustees has adopted a written investment policy establishing investment parameters within applicable Florida Statutes and the University investment manual. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University’s Board of Trustees as authorized by law. Investments set aside to purchase or construct capital assets are classified as restricted.

The University’s investments at June 30, 2012, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
<b>External Investment Pools:</b>	
State Treasury Special Purpose Investment Account	\$ 66,687,461
SBA Florida PRIME	4,457,307
SBA Fund B Surplus Funds Trust Fund	6,066
<b>Total University Investments</b>	<b>\$ 71,150,834</b>

**External Investment Pools**

The University reported investments at fair value totaling \$66,687,461 at June 30, 2012, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor’s and had an effective duration of 2.38 years at June 30, 2012. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

**UNIVERSITY OF WEST FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2012**

At June 30, 2012, the University reported investments totaling \$4,457,307 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University’s investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor’s and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. A portfolio’s WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

At June 30, 2012, the University reported investments at fair value of \$6,066 in Fund B. The University’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 years. A portfolio’s WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2012. WAL measures the sensitivity of Fund B to interest rate changes. The University’s investment in Fund B is unrated.

**Component Units Investments**

Investments held by the University of West Florida Foundation, Inc., and the West Florida Historic Preservation, Inc., at June 30, 2012, are reported at carrying value, which approximates fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Bonds and Notes	\$ 10,061,126
Stocks and Other Equity Securities	38,617,842
Real Estate and Investment Agreements	2,574,977
Certificates of Deposit	1,251,515
Money Market and Mutual Funds	<u>4,864,329</u>
<b>Total Component Units Investments</b>	<b><u>\$ 57,369,789</u></b>

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

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**3. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 9,605,539	\$	\$	\$	\$ 9,605,539
Works of Art and Historical Treasures	10,685,150	(46,812)	159,638		10,797,976
Construction in Progress	6,446,220		8,781,888	4,689,308	10,538,800
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 26,736,909</b>	<b>\$ (46,812)</b>	<b>\$ 8,941,526</b>	<b>\$ 4,689,308</b>	<b>\$ 30,942,315</b>
<b>Depreciable Capital Assets:</b>					
Buildings	\$ 154,080,789	\$	\$ 4,439,641	\$	\$ 158,520,430
Infrastructure and Other Improvements	28,721,664		258,605		28,980,269
Furniture and Equipment	45,275,075	(21,336,386)	2,274,146	1,717,354	24,495,481
Library Resources	31,116,448		1,028,207	1,545,836	30,598,819
Leasehold Improvements	59,403				59,403
Computer Software	2,405,533	(363,863)		3,361	2,038,309
<b>Total Depreciable Capital Assets</b>	<b>261,658,912</b>	<b>(21,700,249)</b>	<b>8,000,599</b>	<b>3,266,551</b>	<b>244,692,711</b>
<b>Less, Accumulated Depreciation:</b>					
Buildings	63,114,625		3,898,091		67,012,716
Infrastructure and Other Improvements	13,433,445		1,048,563		14,482,008
Furniture and Equipment	32,785,599	(16,079,792)	1,710,820	1,603,634	16,812,993
Library Resources	26,789,777		977,861	1,545,836	26,221,802
Leasehold Improvements	51,630		4,881		56,511
Computer Software	2,214,408	(349,722)	110,079	17,503	1,957,262
<b>Total Accumulated Depreciation</b>	<b>138,389,484</b>	<b>(16,429,514)</b>	<b>7,750,295</b>	<b>3,166,973</b>	<b>126,543,292</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 123,269,428</b>	<b>\$ (5,270,735)</b>	<b>\$ 250,304</b>	<b>\$ 99,578</b>	<b>\$ 118,149,419</b>

Note: (1) The adjustment to capital assets is the result of a change in the capitalization threshold for tangible personal property from \$1,000 to \$5,000, effective July 1, 2011.

**4. LONG-TERM LIABILITIES**

Long-term liabilities of the University at June 30, 2012, include compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 10,619,368	\$ 1,609,842	\$ 975,492	\$ 11,253,718	\$ 966,219
Other Postemployment Benefits Payable	4,462,000	3,507,000	790,000	7,179,000	
Other Noncurrent Liabilities	1,559,021		22,743	1,536,278	
<b>Total Long-Term Liabilities</b>	<b>\$ 16,640,389</b>	<b>\$ 5,116,842</b>	<b>\$ 1,788,235</b>	<b>\$ 19,968,996</b>	<b>\$ 966,219</b>

**UNIVERSITY OF WEST FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2012**

**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2012, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$11,253,718. The current portion of the compensated absences liability, \$966,219, is the amount expected to be paid in the 2012-13 fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

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

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

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 214 retirees received postemployment healthcare benefits. The University provided required contributions of \$790,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,162,000.

*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 GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the 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)	\$ 2,085,000
Amortization of Unfunded Actuarial Accrued Liability	1,265,000
Interest on Normal Cost and Amortization	134,000
<b>Annual Required Contribution</b>	3,484,000
Interest on Net OPEB Obligation	178,000
Adjustment to Annual Required Contribution	(155,000)
<b>Annual OPEB Cost (Expense)</b>	3,507,000
Contribution Toward the OPEB Cost	(790,000)
<b>Increase in Net OPEB Obligation</b>	2,717,000
Net OPEB Obligation, Beginning of Year	4,462,000
<b>Net OPEB Obligation, End of Year</b>	\$ 7,179,000

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 2,320,000	31.9%	\$ 3,032,000
2010-11	2,168,000	34.0%	4,462,000
2011-12	3,507,000	22.5%	7,179,000

*Funded Status and Funding Progress.* As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$37,956,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$37,956,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$59,114,940 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 64.2 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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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, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the University’s 2011-12 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates were 7.24 percent, 8.38 percent, and 8.57 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 5.81 percent, 3.11 percent, and 8.42 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.5 percent in the fourth year grading identically to 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

**Other Noncurrent Liabilities.** Other noncurrent liabilities consist of the University’s liability for the Federal Capital Contribution (advance) provided to fund the University’s Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or have excess cash in the loan program.

**Bonds Payable – Component Units.** A summary of the component units’ bonds payable as of June 30, 2012, is shown in the following table:

Bond Type and Series	Amount of Original Issue	Amount Outstanding	Interest Rates (Percent)
<b>Revenue Bonds:</b>			
Dormitory Revenue Bonds:			
2009	\$ 15,000,000	\$ 14,001,000	5.09
2011	16,525,000	16,525,000	3.00 - 5.875
Dormitory Refunding Revenue Bonds:			
2005	18,290,000	16,030,000	3.75 - 5.00
2010	11,717,000	10,767,000	3.95
<b>Subtotal</b>	61,532,000	57,323,000	
Less: Net Bond Discounts		260,283	
<b>Total Revenue Bonds</b>	<b>\$ 61,532,000</b>	<b>\$ 57,062,717</b>	

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Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2012, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,896,000	\$ 2,753,540	\$ 4,649,540
2014	1,976,000	2,676,495	4,652,495
2015	2,056,000	2,595,824	4,651,824
2016	2,143,000	2,510,576	4,653,576
2017	2,236,000	2,421,631	4,657,631
2018-2022	12,709,000	10,555,921	23,264,921
2023-2027	15,915,000	7,390,538	23,305,538
2028-2032	10,987,000	3,551,412	14,538,412
2033-2037	4,225,000	1,707,275	5,932,275
2038-2040	3,180,000	380,700	3,560,700
<b>Subtotal</b>	57,323,000	36,543,912	93,866,912
Net Bond Discounts	(260,283)		(260,283)
<b>Total</b>	<u>\$ 57,062,717</u>	<u>\$ 36,543,912</u>	<u>\$ 93,606,629</u>

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

The 2009 Dormitory Revenue bonds, sponsored by Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities.

The 2010 Dormitory Refunding Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to refund the \$11.5 million outstanding on a 1998 Dormitory Revenue bond issue.

The 2011 Dormitory Revenue bonds, sponsored by the Escambia County Housing Finance Authority, were issued to provide financing for the construction of student housing facilities.

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

**5. RETIREMENT PROGRAMS**

**Florida Retirement System.** Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension

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plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Florida Retirement System, Special Risk	3.00	14.10
Teachers Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 .03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The University’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University’s contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$2,864,253, \$3,250,975, and \$2,129,867, respectively, which were equal to the required contributions for each fiscal year.

There were 120 University participants in the Investment Plan during the 2011-12 fiscal year. The University’s contributions including employee contributions to the Investment Plan totaled \$332,576, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. 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 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, 7.92 percent of the participant’s salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by

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

There were 451 University participants during the 2011-12 fiscal year. The University’s contributions to the Program totaled \$2,060,572, and employee contributions totaled \$1,778,350 for the 2011-12 fiscal year.

**6. CONSTRUCTION COMMITMENTS**

The University’s construction commitments at June 30, 2012, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
College of Business Education Center	\$ 15,818,837	\$ 10,536,540	\$ 5,282,297
Utilities and Infrastructure Projects	5,773,339	3,736,657	2,036,682
Repairs and Maintenance Projects	2,523,330	1,838,125	685,205
Natatorium Renovation	4,126,000	3,984,055	141,945
<b>Total</b>	<b>\$ 28,241,506</b>	<b>\$ 20,095,377</b>	<b>\$ 8,146,129</b>

**7. RISK MANAGEMENT PROGRAMS**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers’ compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2011-12 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$61 million for named windstorm and flood losses through February 14, 2012, and decreased to \$50 million starting February 15, 2012. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers’ compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

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JUNE 30, 2012**

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.

**8. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 47,642,288
Research	2,990,061
Public Services	11,308,493
Academic Support	17,751,324
Student Services	10,162,597
Institutional Support	25,182,285
Operation and Maintenance of Plant	10,697,079
Scholarships, Fellowships, and Waivers	19,050,520
Depreciation	7,750,295
Auxiliary Enterprises	11,685,369
<b>Total Operating Expenses</b>	<b><u>\$ 164,220,311</u></b>

**9. COMPONENT UNITS**

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

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	University of West Florida Foundation, Inc. 6-30-12	West Florida Historic Preservation, Inc. 6-30-12	UWF Business Enterprises, Inc. 6-30-12	Total
<b>Condensed Statement of Net Assets</b>				
Assets:				
Current Assets	\$ 7,287,777	\$ 1,944,653	\$ 993,092	\$ 10,225,522
Capital Assets, Net	54,735,719	3,723,252	2,576,697	61,035,668
Other Noncurrent Assets	72,065,455	684	30,236	72,096,375
<b>Total Assets</b>	<b>134,088,951</b>	<b>5,668,589</b>	<b>3,600,025</b>	<b>143,357,565</b>
Liabilities:				
Current Liabilities	3,898,476	32,467	1,242,082	5,173,025
Noncurrent Liabilities	55,543,457		2,139,129	57,682,586
<b>Total Liabilities</b>	<b>59,441,933</b>	<b>32,467</b>	<b>3,381,211</b>	<b>62,855,611</b>
Net Assets:				
Invested in Capital Assets, Net of Related Debt		3,723,252	1,476,697	5,199,949
Restricted	62,976,492	159,022		63,135,514
Unrestricted	11,670,526	1,753,848	(1,257,883)	12,166,491
<b>Total Net Assets</b>	<b>\$ 74,647,018</b>	<b>\$ 5,636,122</b>	<b>\$ 218,814</b>	<b>\$ 80,501,954</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
Operating Revenues	\$ 12,672,287	\$ 561,025	\$	\$ 13,233,312
Operating Expenses	(8,353,979)	(380,878)	(19,186)	(8,754,043)
<b>Operating Income (Loss)</b>	<b>4,318,308</b>	<b>180,147</b>	<b>(19,186)</b>	<b>4,479,269</b>
Net Nonoperating Revenues (Expenses)	(5,954,759)	5,751		(5,949,008)
Other Revenues or Gains	1,438,586		238,000	1,676,586
<b>Increase (Decrease) in Net Assets</b>	<b>(197,865)</b>	<b>185,898</b>	<b>218,814</b>	<b>206,847</b>
Net Assets, Beginning of Year	74,844,883	5,450,224		80,295,107
<b>Net Assets, End of Year</b>	<b>\$ 74,647,018</b>	<b>\$ 5,636,122</b>	<b>\$ 218,814</b>	<b>\$ 80,501,954</b>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (2) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 20,718,000	\$ 20,718,000	0%	\$ 59,873,420	34.6%
7/1/2009		33,402,000	33,402,000	0%	55,636,371	60.0%
7/1/2011		37,956,000	37,956,000	0%	59,114,940	64.2%

- Notes: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.  
 (2) The July 1, 2011, unfunded actuarial accrued liability of \$37,956,000, was significantly higher than the July 1, 2009, liability of \$33,402,000 primarily as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and the passage of the Patient Protection and Affordable Care Act.



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

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

We have audited the financial statements of the University of West Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, 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 purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

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

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
February 1, 2013