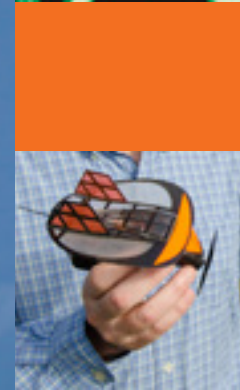
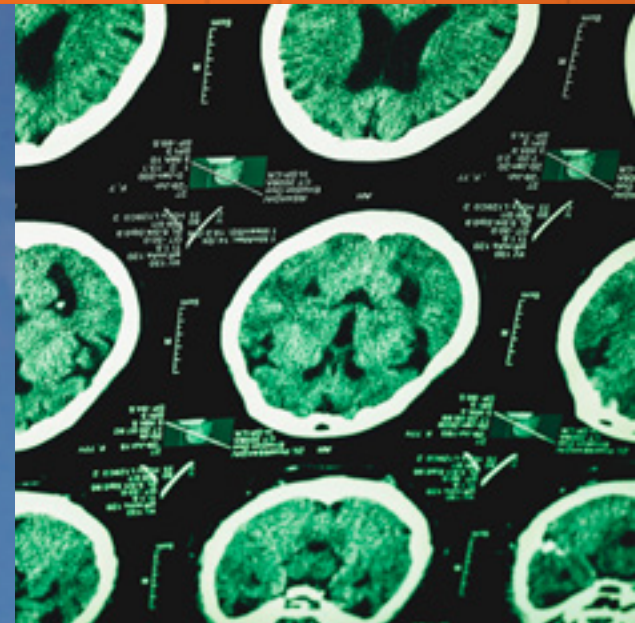


UF

Lives, changed.

2012-2013 Annual Financial Report

UNIVERSITY of
FLORIDA



What is the value of technology unless it moves us forward in some practical and beneficial way? Just how important is science unless it changes lives for the better?

At the University of Florida, a steadfast and overarching commitment drives us not only to focus on life-changing science, but also to apply that knowledge and change people's lives. Few, if any, other public research universities can match UF's success at transferring technological and scientific achievements to the real world.

It begins in hundreds of UF facilities pursuing thousands of often-groundbreaking studies. It happens in classrooms, where students learn to think in fresh and innovative ways. It progresses in dozens of labs, accelerated by the unimaginable computing speed of HiPerGator. It is perfected and commercialized by entrepreneurs, corporations and investors, many of whom benefit from UF's own highly successful business incubators and who go on to build successful businesses that create thousands of jobs.

In the end, our lives are affected in numerous ways – some simple, like better tasting tomatoes; some historic, like saving the Statue of Liberty; some essential, like safer hospital operating environments; and some inspirational, like giving injured soldiers back the use of damaged limbs. Lives changed, in thousands of ways, in hundreds of places all around the world.

Chances are good we've changed your life as well.

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President's Message



Public discussion of the State's 2013 preeminence legislation has focused on how the law will support the University of Florida in rising among the ranks of the Nation's best public universities.

While that is certainly a goal, there is a deeper and more general benefit.

By enabling UF to hire dozens of leading scientists and scholars, the law will underpin research that extends the boundaries of human knowledge and improves people's lives. This outcome will augment UF's legacy of contributing to the economic prosperity of our State and Nation – a legacy that dates to our founding charter as a land-grant university.

Big Data and Other Frontiers

As this year's financial report makes clear, UF research has spurred important steps forward in agriculture, medicine, technology and most other essential aspects of modern life.

The preeminence law gives us an opportunity to focus on new advancements in areas of great future promise.

We took the first big step toward this goal in October, when we selected 16 proposals put forward by UF faculty to receive the bulk of the first round of \$15 million in State preeminence funding.

The proposals, which seek to advance new frontiers in health, computing, agriculture and the life sciences, are as diverse and comprehensive as our University. But they share a common feature of occupying the technological or scientific vanguard.

We see this feature, for example, in a proposal to explore new uses for the trillions of gigabytes of information now being generated by computers and sensors worldwide – a rapidly emerging field known as Big Data.

Put forward by multidisciplinary teams of UF scientists, engineers, artists and educators, this research explores ways to tap Big Data to predict disease outbreaks, forecast the effects of climate change, improve online education and much more. We are so enthusiastic about the potential, we selected the Big Data proposal to receive the highest proportion of the preeminence dollars – \$3.8 million.

The research envisioned in the other proposals is also far-reaching.

We will support new faculty whose work seeks to discover and develop new drugs, improve mathematical modeling of epidemics and enhance human understanding of neuroscience and the brain. We will also fund efforts to improve early childhood education, make manufacturing more efficient and strengthen cybersecurity.

A Widening Impact

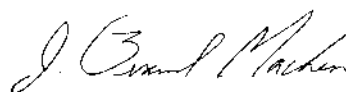
UF has committed to matching the State preeminence funding with private dollars raised through the UF Foundation. Indeed, we will fund a second round of preeminence research proposals in late 2013.

In conjunction with these efforts, the UF Foundation has pledged to raise \$800 million to create more than 100 new endowed professorships and chairs for accomplished faculty members over the next three years.

It will take time to identify and hire the scientists and scholars who will help us reach our ambitions, and the results will hardly be immediate. But UF has a vibrant, growing and highly regarded technology commercialization enterprise that is well positioned to capitalize on these new faculty members' discoveries and innovations.

As UF scientists and entrepreneurs drew on nerve regeneration research to pioneer new techniques to restore damaged nerves, and as they are tapping hurricane research to build stronger houses, so they will also make the most of the research spurred by the preeminence funding.

As a result, we can be confident that the preeminence initiative will not only prove a benefit to UF but also to Florida's economy – and to people everywhere.



J. Bernard Machen

President, University of Florida

Lives Changed Every Day



6,000

International students studying at UF who will use their new knowledge to improve lives all over the world.

Throughout the years, the University of Florida has worked to improve the everyday lives of people. Including you. Improving what you taste, how you see, and even your pet's health are all in a day's work at the University of Florida.

A Tastier Salad. UF's tomato breeding program dates back to 1922. So when consumers craved a redder, tastier, juicier tomato, who better to accept the challenge than our own horticulturists? After years of research, they created a naturally developed, vine-ripened hybrid and named it Tasti-Lee®. Salad and sandwich lovers have been grateful ever since.

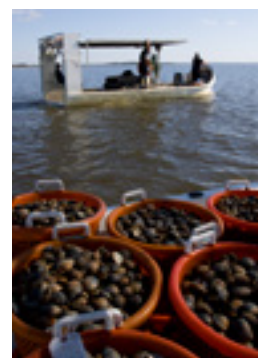
Solutions for Your Life. Helping small farmers grow grapes in northwest Florida. Organizing 4-H camps that offer kids a place to experience and appreciate nature. Educating residents about the importance of agriculture. Those are just a few of the ways that UF/IFAS Extension touches the lives of Floridians in all 67 counties. UF/IFAS Extension is dedicated to developing knowledge in agriculture, human and natural resources, and the life sciences, and to making that knowledge accessible in order to sustain and enhance the quality of human life.

Clearer Vision. The odds are that you or someone close to you suffers from glaucoma. It affects millions of individuals in the U.S. alone. Fortunately, UF scientists had a vision and created the breakthrough drug Trusopt®. A life-changing discovery, Trusopt® relieves the symptoms of glaucoma and is relatively free of the side effects associated with other drugs used to treat the disease. One small eye drop and thousands of lives changed.

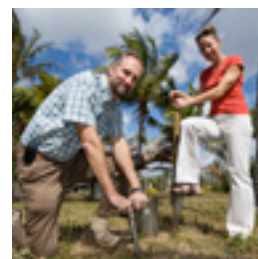
Slower-Growing. Less Mowing.

UF horticulturist Dr. Russell Nagata is an unsung hero to countless Americans faced with the never-ending task of mowing the lawn. He created Captiva®, a much slower-growing type of St. Augustinegrass. Captiva® grows between one-and-a-half and two-and-a-half inches a week, compared with the three-to-five inches rate of typical grass. Less mowing also means less fuel to buy. But that's not all. Captiva® offers one additional benefit: It is considerably more resistant than other varieties to lawn-killing chinch bugs.

More Purrs. Cats do not have nine lives. So, to enhance the quality of their one precious life, UF researcher Dr. Janet Yamamoto developed a feline AIDS vaccine. Her most recent research with the vaccine has revealed that the FIV protein also stimulated human T cells to produce anti-HIV activity. The connection between feline AIDS and HIV may eventually lead to a vaccine for humans and an even better vaccine for cats. So, the furry felines – and the people they own – can look forward to longer lives together.



The University of Florida Shellfish Aquaculture Extension Program provides educational, technical and organizational support to the clam farming industry in Florida. In 1995, a position was created within the UF/IFAS Extension to assist the emergent industry on Florida's west coast.



In a State that produces one billion square feet of turfgrass each year, there is literally a lot of ground to cover. A dedicated team of researchers at UF analyzes Florida's grass, as well as the soil beneath it and pests that pose a constant threat.

67

Each of Florida's 67 counties has a UF/IFAS Extension office, which provides residents with scientific knowledge to sustain and improve the quality of human life in areas ranging from agriculture, home gardening, and health and nutrition, to home finances, disaster preparedness, and family relationships. UF/IFAS research centers and demonstration sites around the State provide Florida and the entire Nation with research borne knowledge used to help farmers, ranchers, growers, and others feed the world.

Living More Safely



13.2m

Pounds of pesticide saved worldwide since 1995, thanks to the Sentricon® termite colony elimination system.

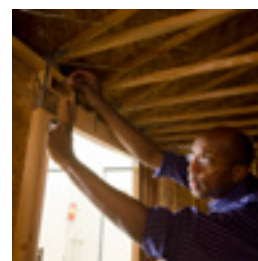
Science and technology generated in the laboratories at UF help produce one extremely valuable commodity: peace of mind. Our homes are safer. Our lives are healthier. And our hopes are higher. Not just because someone had a good idea, but because they also had the passion to make it work.

Sturdier Homes. Why would wind engineers at the University of Florida develop the world's largest portable hurricane simulator? Aren't there enough real hurricanes already? That's exactly why. By creating and controlling their own hurricanes, UF engineers are able to experiment with building materials to determine which are the most storm-resistant. The hurricane simulator can create the effects of a Category-3 (Katrina-sized) storm, complete with wind and rain. So, while we'll probably never be able to prevent hurricanes, we can find better ways to prepare for them.

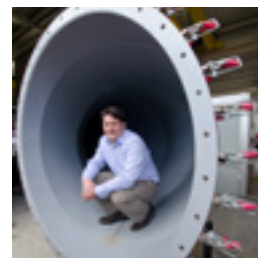
Longer Lasting Liberty. The proud lady has stood, torch in hand, in New York Harbor since 1886. She, in fact, may be the most iconic of all American statues and monuments. But in 1994, the Statue of Liberty had a problem: termites. Her condition worsened until 1996, when Sentricon® came to the rescue. Developed by University of Florida entomologists and DowElanco (now Dow AgroSciences), Sentricon® is an environmentally friendly termite control technology. For nearly 20 years, Sentricon® has been on the job not only on Ellis Island, but also in homes across the Nation, including a big white one at 1600 Pennsylvania Avenue.

A Better View. It takes special skills to fly over crops and instantly send back video and stills for farmers to analyze and potentially detect disease, irrigation or fertilizer issues, predict crop yields and more. And who would be willing to ride along with a hurricane, collecting data to help scientists predict the intensity and trajectory of the storm? Drones are capable of both assignments and are on the job at the University of Florida. Equipped with sensors and cameras, these unmanned aerial vehicles are helping UF soar to new heights in research.

Healthier Hospitals. Even a Gator can learn from a shark. Dr. Anthony Brennan studied the antimicrobial properties of sharkskin in hopes of finding ways to reduce the buildup of barnacles on submarines. He and his team at the UF College of Engineering then replicated the microscopic diamond shapes to create the world's first technology to inhibit bacterial growth through pattern alone.



Extensive research by UF engineers has enabled homebuilders to create safer, sturdier structures that protect families during severe weather and better withstand the test of time.



UF doesn't just study hurricanes, we create them. Our hurricane simulator can create the wind and rain produced by a Category-3 storm to study its effects and help builders and residents alike more effectively prepare for the real thing.

300+

That's the number of crops grown and harvested in Florida, more than any other state in the Nation. It's also why food safety education is a critical area for UF's Institute of Food and Agricultural Sciences. The UF/IFAS ServSafe® program helps protect Florida residents and visitors from foodborne illness by training foodservice personnel in proper sanitation and food handling practices. From 2007 to 2012 the program certified more than 2,700 participants, many of whom were able to secure better-paying jobs as a result.

Lives Reclaimed



16,039

Patients seen in the UF
Health Shands Pediatric ER
for FY 2012-13.

While not all inventions affect people immediately, directly and personally, there is that select group of innovative achievements that have a profound and lasting impact on the individuals they touch. In some cases, they change lives. In others, they save lives.

Better Futures. AxoGen, Inc., provides critically wounded soldiers with what they most deserve and desire: a second chance. The University of Florida's McKnight Brain Institute developed technologies for nerve grafting and regeneration. Marketed under the name Avance®, the technique allows surgeons to reconstruct damaged peripheral nerves so that the central nervous system can communicate with muscles or organs throughout the body. When Navy corpsman Ed Bonfiglio was shot in the left leg while on patrol in Afghanistan, doctors successfully employed this procedure. As a result, Ed still has both of his legs. And a much brighter future.

A New View of the Brain. A simple blood test to detect traumatic brain injuries? If that sounds revolutionary, it is. Researchers at UF's McKnight Brain Institute discovered proteins from the breakdown of dying brain cells in blood. In doing

so, they paved the way for Banyan Biomarkers®, the leader in blood test-based diagnostic products for the detection of traumatic brain injuries. Someday soon, physicians will know almost immediately the extent of a brain injury and will be able to treat – and even save the lives of – soldiers, accident victims, and athletes.

Faster Drying Tears. A children's emergency room is probably the last place a parent wants to go. But should the need arise, families in Gainesville are fortunate to have the Pediatric ER at UF Health Shands Hospital nearby. All UF Health pediatric teams are now located in a single building, with a child-focused environment. This enables us to better serve our young patients and their families. The entrance welcomes them into fun and colorful surroundings. Once inside, the children and young adults will experience quality, streamlined pediatric care so they can get back to their lives.

Greater Hope. Quite often, people lack the ability to change their own lives as much as they'd like to. Drug and alcohol addiction are formidable opponents. UF Health Florida Recovery Center is keenly aware of that and offers help to those fighting substance abuse. The doctors, therapists, counselors and representatives have an intimate understanding of recovery and help is available any time of day, every day of the year. Affiliated with the UF Department of Psychiatry, the Center has a main office near campus and four satellite offices serving the rest of Florida.



Navy corpsman Ed Bonfiglio



The UF Health Shands
Pediatric ER

\$740m

That's the amount UF spent in 2011 on research and development, ranking it 12th among the Nation's top public research universities. Among the discoveries that have risen from the innovative and creative minds of UF researchers: a test that uses peanut butter to confirm an Alzheimer's disease diagnosis; softball-sized satellites that can be built cheaply and launched quickly; the Tasti-Lee® tomato that can survive shipping and still taste great; the Sentricon® Termite Colony Elimination System; the glaucoma drug Trusopt®; and, of course, Gatorade.

Living Innovation



\$34m

Licensing income UF received last year for the use of its technologies accounted for 90 percent of the total for the entire State University System.

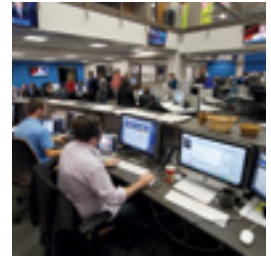
UF has become a fertile ground for innovation. Not only is the University a springboard for new ideas, products and businesses, it's also changing the way people responsible for that innovation are learning and collaborating. Meanwhile, just a short walk east of campus will reveal how UF is changing the landscape of higher education. And Gainesville.

Community Redefined. This is Innovation Square at the University of Florida. People work here, and soon people will live and play here, too. A 40-acre research community, Innovation Square has created an environment where synergy is inevitable. Where the line between social and business interactions has been virtually erased. Where diverse individuals and ideas come together to create even greater ideas. And where products move from the mind to the marketplace. Innovation Square also provides the residents of

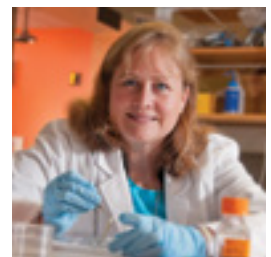
its "community" an opportunity to collaborate with UF's 4,000 talented researchers, whose annual research awards total \$641 million.

Faster Startups. If you've ever heard the question, "Where do you come up with your ideas?" some could answer, "At The Florida Innovation Hub at UF." Located in the heart of Innovation Square, this 48,000 square-foot facility serves as an incubator for startup companies based on technologies emerging from UF laboratories. By enabling businesses to devote their limited resources to technology and market development rather than operational costs, Innovation Hub has attracted more than two dozen startup tenants and led to the creation of 250 jobs in its first 20 months of existence.

A Minor Revolution. The spring semester of 2013 welcomed not only new students to the University of Florida but also an entirely new concept in higher education: the Innovation Academy. One of the Nation's most forward-looking undergraduate programs, the IA offers a select group of students the opportunity to choose from several majors offered by various colleges while concentrating on one minor: innovation. With courses concentrating on creativity, entrepreneurship, ethics, and leadership, the program is designed to prepare students for living and working in today's global economy. Even its schedule is unique. Students are enrolled during the spring-summer academic year, leaving them free to pursue off-campus interests, including internships, during the fall semester.



The 4,000 square-foot Innovation News Center at the UF College of Journalism and Communications houses state-of-the-art broadcasting equipment, television and radio editing rooms, audio booths, a mini-studio, and nearly 100 seats for reporters, producers and editors. It is also home to the College's many distribution channels, which includes six radio and TV stations serving North Central Florida.



As Gatorade approaches its 50th birthday, the industry-launching sports drink deserves recognition for the licensing income it continues to produce for the University of Florida. And that was just a start. Products that have evolved from UF labs to the marketplace continue to generate substantial revenue, which in turn is invested to fund further research.

150 trillion

That's the number of calculations UF's new supercomputer can perform in one second. HiPerGator is the fastest computer in the State and one of the fastest in the country. Its amazing speed and power can help researchers find life-saving drugs, forecast weather decades in advance, and even design more effective armor for troops.

Knowledge by the Numbers

Headcount Enrollment by Colleges and Schools – Fall Terms

College/School	2012	2011	2010	2009	2008
Accounting	857	865	905	871	897
Agricultural and Life Sciences	4,835	4,955	4,940	4,640	4,557
Building Construction	383	391	499	581	616
Business Administration	4,985	4,681	4,728	4,947	5,539
Dentistry	385	389	378	379	389
Design, Construction, and Planning	855	896	899	899	921
Division of Continuing Education (A)	141	179	215	259	275
Education	1,732	1,749	1,886	1,919	1,940
Engineering	8,716	8,454	8,240	7,880	7,696
Fine Arts	1,294	1,256	1,309	1,284	1,254
Forest Resources and Conservation	-	-	-	222	215
Health and Human Performance	1,973	2,047	2,008	1,908	1,970
High School	57	52	47	44	33
Interdisciplinary Ecology	104	116	127	135	131
Journalism and Communications	2,693	2,540	2,516	2,663	2,957
Law	1,105	1,118	1,191	1,263	1,340
Liberal Arts and Sciences	12,514	12,673	12,817	13,368	14,315
Medicine	823	862	853	967	867
Multiple-College Program	-	1	1	2	-
Natural Resources and Environment	120	155	154	158	142
Nursing	1,162	1,170	1,090	1,188	1,160
Pharmacy	847	823	836	761	689
Pharmacy Doctor	1,584	1,686	1,752	1,891	1,841
Physician Assistant Program	119	119	119	119	119
Public Health & Health Professions	2,213	2,122	2,139	1,971	1,803
Veterinary Medicine	648	542	530	525	507
SUB-TOTAL	50,145	49,841	50,179	50,844	52,173
Minus Concurrent Degree	59	56	63	60	61
TOTAL	50,086	49,785	50,116	50,784	52,112

(A) Includes Continuing Education and correspondence courses for students not enrolled in a college.

Source: Office of Institutional Planning and Research - UF Facts

Degrees Awarded by Type of Degree

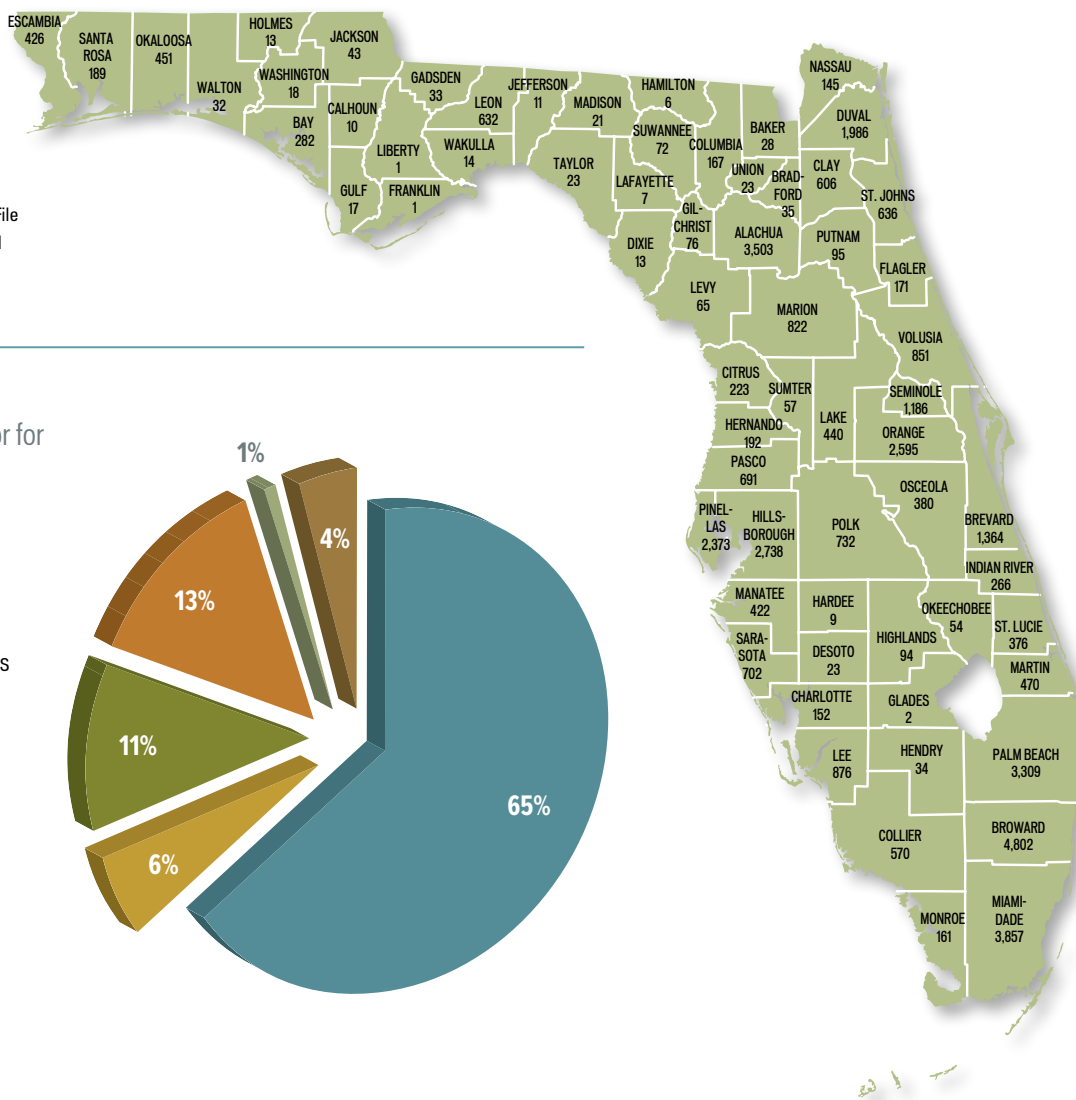
Degree	2012-13	2011-12	2010-11	2009-10	2008-09
Bachelor's	8,245	8,600	8,685	9,302	9,207
Master's	3,929	3,924	3,878	3,751	3,546
Doctor of Philosophy	880	859	936	957	841
Doctor of Pharmacy	427	461	484	483	474
Juris Doctor	361	334	410	377	424
Doctor of Medicine	131	134	127	130	124
Doctor of Dental Medicine	79	82	83	91	81
Doctor of Veterinary Medicine	86	84	87	89	84
Specialist in Education	88	71	70	111	73
Engineer	-	-	-	-	1
TOTAL	14,226	14,549	14,760	15,291	14,855

Source: UF Office of Institutional Planning and Research

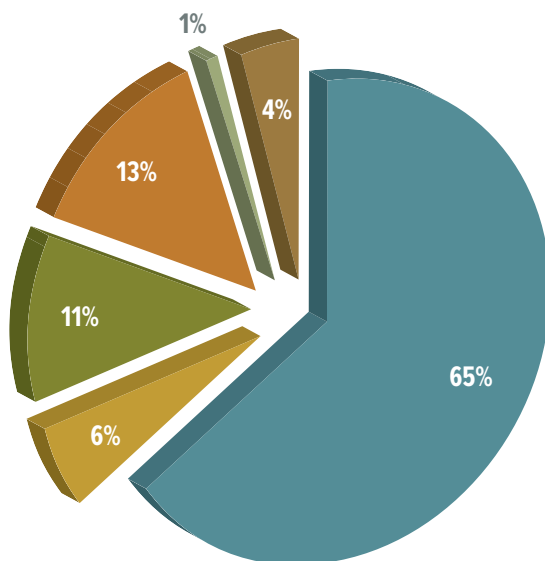
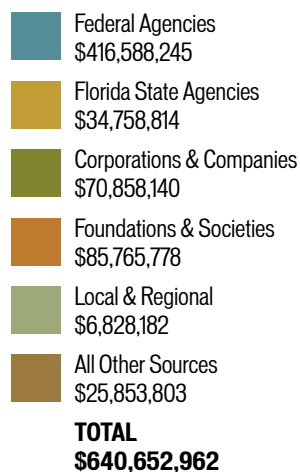
In-State Enrollment by County - Fall 2012

Total In-State Enrollment:
40,674

Source: Fall Final Student Data Course File
Prepared by the UF Office of Institutional
Planning & Research



Research Awards by Sponsor for 2012-13 fiscal year



Changing Lives at Home.

As the University of Florida delivers on its mission of research, teaching, and service, we will continue to attract the best and brightest students, as well as recruit and maintain preeminent faculty. UF provides students with a learning experience few other universities can offer, while we reward our faculty with the technology and funding needed to perform their remarkable work.

And while we continue to affect the lives of people throughout the world, the University of Florida will forever keep a strong focus on the residents, leaders, and businesses in our State to ensure their constant well-being and quality of life.



Introduction from the Vice President and Chief Financial Officer

I am pleased to present the University of Florida Annual Financial Report for the fiscal year ended June 30, 2013. This report provides useful information concerning the University's financial position and activities for the year. The Management Discussion and Analysis, the financial statements, and the notes to the financial statements document the University's financial success and health for this fiscal year.

During fiscal year 2012-13, Noncapital State Appropriations declined by 8.0%, or \$42.4 million. In an effort to mitigate that loss, we continued to increase operational efficiencies, utilized sound budgeting, and had limited tuition increases. Tuition revenue increased \$38.5 million, or 8.3% for the fiscal year. The tuition increases helped offset the reduction in State Appropriations, but did not cover the nearly \$4.0 million remaining in lost State support. Even with the tuition increases, the University continues to have among the lowest cost of attendance of all public research universities nationwide and continues to be a great value for the investment.

The University continues to maintain its beautiful and historic campus in spite of the State's significant reductions in the amount of capital projects funding, including Public Education Capital Outlay (PECO).

Capital State Appropriations totaled \$9.5 million, a slight increase of \$3.4 million over the prior fiscal year of \$6.1 million.

During the year, several major construction projects were completed to provide facilities necessary for fulfilling the instructional, research, and service missions of the University. These buildings illustrate the University's diverse nature. Completed construction projects include the Clinical Translational Research Building (CTRB). The CTRB is a new home for research that will speed scientific discoveries to patients. The 120,000 square-foot complex will spark collaboration and spur medical advances by bringing together research teams from a range of scientific disciplines.

The completed East Campus Data Center is home to HiPerGator, the University's new high performance supercomputer, which has a peak speed of 150 trillion calculations per second. The HiPerGator is the most powerful supercomputer in the State of Florida and will help researchers find life-saving drugs, make decades-long weather forecasts, and improve armor for our troops.

The Lake Nona Research Facility opened November 30, 2012. This facility brings vital research on new therapies and cures, increased opportunities for participation in clinical research, and enhanced access to professional and graduate pharmacy education to the Orlando area.

The Reitz Union Expansion and Renovation project started in June 2013. Built in 1967, the J. Wayne Reitz Union is the heart of campus, a center of student activities and involvement. The project includes the

construction of a new 100,000 square-foot multilevel structure, and renovation of up to 50,000 square feet of the existing building. The \$75 million project is funded through a combination of activity and service fees, an investment from the University, a \$41.5 million bond to be issued during the 2013-14 fiscal year, and other sources. Expected to be completed Fall 2015, the much needed space will accommodate student activities and the University's growing student body.

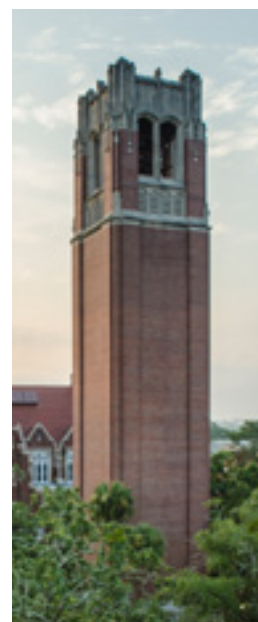
Historic State legislation was passed this year, creating a path for the University to be designated a State University of Academic and Research Excellence and National Preeminence. House Bill 7129 provides tuition and academic flexibility to research universities that meet standards established in the bill for a State university of national preeminence. The standards include selectivity of admissions, student retention, graduation rates, size of endowment, amount of annual giving, faculty membership in a national academy, number of patents awarded, number of doctoral degrees awarded, number of postdoctoral appointees, research expenditures, and national rankings.

The Office of the Vice President and Chief Financial Officer is committed to manage effectively the University's assets and facilitate the business needs as the University progresses towards being a top ten research university.



Matthew M. Fajack

Vice President and Chief Financial Officer





DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
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

Report on the 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, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and the aggregate discretely presented component units, as described in note 1 to the financial statements. The financial statements of the University of Florida Self-Insurance Program and the University of Florida Healthcare Education Insurance Company, blended component units, represent 5.6 percent, 4.7 percent, and 1 percent, respectively, of the assets, net position, and revenues, reported for the University of Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. The financial statements of the blended and aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Florida and of its aggregate discretely presented component units as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the University of Florida's 2011-12 fiscal year financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2012. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Florida's basic financial statements. The President's Message, the University of Florida Overview, the Introduction from the Vice President and Chief Financial Officer, and the Supplemental Information for Financial Aid Administered, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The President's Message, the University of Florida Overview, the Introduction from the Vice President and Chief Financial Officer, and the Supplemental Information for Financial Aid Administered has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
December 20, 2013
Audit Report No. 2014-070



Management's Discussion and Analysis

From the Vice President and Chief Financial Officer

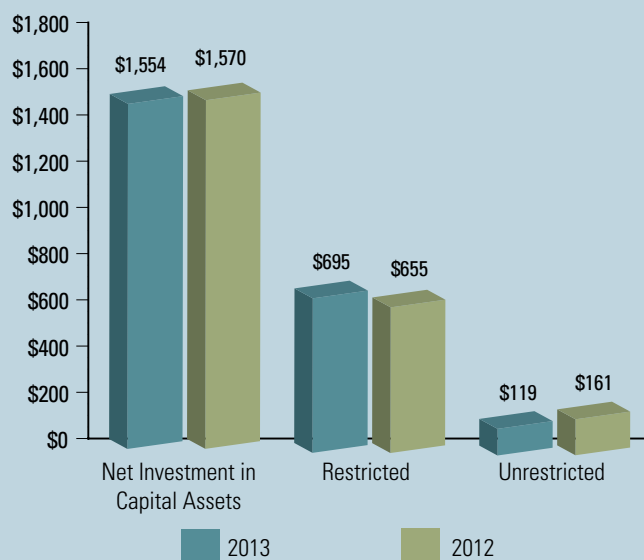
INTRODUCTION AND BACKGROUND

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida (the University) for the fiscal year ended June 30, 2013, 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.

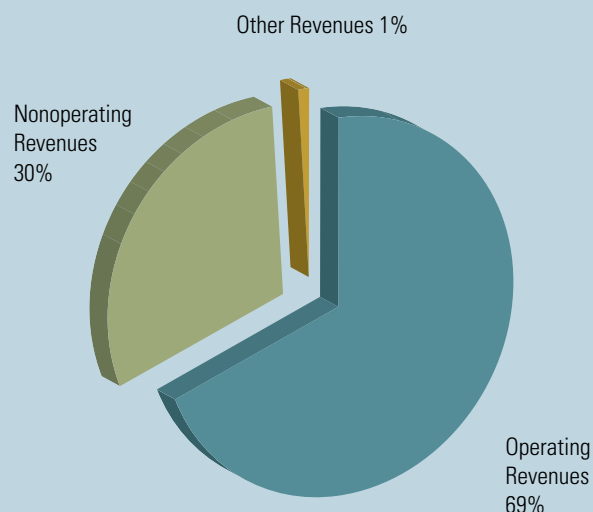
FINANCIAL HIGHLIGHTS

The University's assets totaled \$3.04 billion at June 30, 2013. This balance reflects a \$48.7 million, or 1.6%, increase from the 2011-12 fiscal year. The increase in assets primarily resulted from new investments held by the University on behalf of component units. While total assets increased, liabilities also increased by \$66.0 million or 10.9%, totaling \$672.3 million at June 30, 2013, as a result of a \$65.3 million increase in the amount Due To Component Units. In consequence, the University's net position decreased by \$17.3 million, or 0.7%, resulting in a year-end balance of \$2.37 billion. Net position represents the residual interest in the University's assets after deducting liabilities. The University's comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, are shown in the following chart:

Net Position (in millions)



Total Revenues



The University's operating revenues totaled \$1.6 billion for the 2012-13 fiscal year, representing a 3.9% increase over the 2011-12 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 \$31.9 million, or 10.0%, because of tuition and fee increases. Nongovernmental Grants and Contracts revenue increased by \$38.9 million, or 6.4%, because of increased transfers from the component units.

The following chart provides a graphical presentation of the University's total revenues by category for the 2012-13 fiscal year:

Operating expenses totaled \$2.3 billion for the 2012-13 fiscal year, representing a \$102.1 million or 4.5% increase compared to the 2011-12 fiscal year. The two largest categories contributing to this increase were Employee Compensation and Benefits, reflecting the increase in Other Postemployment Benefits Payable, and Services and Supplies.

Net nonoperating revenues and expenses in the 2012-13 fiscal year increased \$5.1 million. State Appropriations and Investment Income, Net of Expenses were lower by \$47.3 million, and Other Nonoperating Expenses were also lower by \$53.8 million primarily because there were no changes in capitalization thresholds as recorded last year.



The University had significant construction activity during the year. Completed or substantially completed construction projects included: (1) Lake Nona Research Facility (capitalized costs of \$50.9 million); (2) Clinical Translational Research Building including the Institute on Aging Research Building (capitalized costs of \$41.7 million); and (3) East Campus Data Center (capitalized costs of \$14.1 million). Construction began or continues on several major projects, including four that, when finished, will be capitalized at over \$201 million: (1) Reitz Union Expansion and Renovation; (2) Chemical Biology Building – Chemistry; (3) Harrell Medical Education Building; and (4) Heavener Hall – School of Business.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The financial statements and notes thereto, encompass the University and its component units.

Based upon the application of criteria for determining component units, the University of Florida Self-Insurance Program (the Program), and the University of Florida Healthcare Education Insurance Corporation (HEIC), are included within the University reporting entity as blended component units. Additional information regarding the blended component units is presented in Notes 1 and 19 to the financial statements.

In addition, the University's basic financial statements include discretely presented component units categorized as follows:

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 – This includes 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 the discretely presented component units, including summaries of their separately issued financial statements, is presented in Notes 1, 2, 3, 6, 9, 12, and 19 to the

financial statements. This MD&A focuses on the University, excluding the discretely presented 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 Financial Accounting Standards Board (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 (\$1.1 billion). The principal component of operating expenses is Employee Compensation and Benefits (\$1.6 billion). 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, 2013, is Noncapital State Appropriations (\$485.5 million). Recurring nonoperating expenses consist primarily of Other Nonoperating Expenses which includes transfers from the University to its component units.

STATEMENT OF NET POSITION

The Statement of Net Position reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Net position, the difference between total assets and total liabilities, is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition. The following table summarizes the University's assets, liabilities, and net position at June 30:

Condensed Statement of Net Position *(in millions)*

	2013	2012
Assets:		
Current Assets	\$ 1,213.4	\$ 1,187.4
Capital Assets, Net	1,686.3	1,665.7
Other Noncurrent Assets	141.6	139.5
Total Assets	3,041.3	2,992.6
Liabilities:		
Current Liabilities	244.1	183.2
Noncurrent Liabilities	428.2	423.1
Total Liabilities	672.3	606.3
Net Position:		
Net Investment in Capital Assets	1,554.4	1,570.4
Restricted	695.3	654.7
Unrestricted	119.3	161.2
Total Net Position	\$ 2,369.0	\$ 2,386.3

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table summarizes the University's activity for the 2012-13 and 2011-12 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position <i>(in millions)</i>		
	2012-13	2011-12
Operating Revenues	\$ 1,618.8	\$ 1,557.5
Operating Expenses	(2,346.6)	(2,244.5)
Operating Loss	(727.8)	(687.0)
Net Nonoperating Revenues	687.1	682.0
Loss Before Other Revenues, Expenses, Gains, or Losses	(40.7)	(5.0)
Other Revenues, Expenses, Gains, or Losses	23.4	22.0
Increase (Decrease) in Net Position	(17.3)	17.0
Net Position, Beginning of Year	2,386.3	2,369.3
Net Position, End of Year	\$ 2,369.0	\$ 2,386.3

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 gives or receives something of equal or similar value. The following table summarizes the operating revenues by source that were used to fund operating activities during the 2012-13 and 2011-12 fiscal years:

Operating Revenues <i>(in millions)</i>		
	2012-13	2011-12
Grants and Contracts	\$ 1,079.9	\$ 1,056.5
Student Tuition and Fees, Net of Scholarship Allowances	352.4	320.5
Sales and Services of Auxiliary Enterprises	131.4	129.4
Sales and Services of Educational Departments	51.6	47.8
Other	3.5	3.3
Total Operating Revenues	\$ 1,618.8	\$ 1,557.5

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 classifications. The University has chosen to report the expenses in their natural classifications on the Statement of Revenues, Expenses, and Changes in Net Position and has displayed the functional classifications below and in the notes to the financial statements. The following table summarizes the operating expenses for each method of classification for the 2012-13 and 2011-12 fiscal years:

Operating Expenses <i>(in millions)</i>		
Natural Classifications	2012-13	2011-12
Employee Compensation and Benefits	\$ 1,619.9	\$ 1,522.9
Services and Supplies	460.8	446.6
Depreciation	121.4	116.7
Scholarships, Fellowships and Waivers *	82.0	80.8
Utilities and Communications	64.7	65.7
Self-Insured Claims and Expenses	(2.2)	11.8
Total Operating Expenses	\$ 2,346.6	\$ 2,244.5
Functional Classifications	2012-13	2011-12
Instruction	\$ 650.9	\$ 634.1
Research	562.4	545.3
Public Service	429.1	385.2
Academic Support	154.3	150.8
Institutional Support	130.6	107.1
Depreciation	121.4	116.7
Auxiliary Operations	108.6	124.5
Operation and Maintenance of Plant	96.5	106.7
Scholarships, Fellowships and Waivers *	57.1	53.7
Student Services	35.7	20.4
Total Operating Expenses	\$ 2,346.6	\$ 2,244.5

* Net of Scholarship Allowances of \$148.1 million in the 2012-13 fiscal year and \$141.6 million in the 2011-12 fiscal year.

NONOPERATING REVENUES AND EXPENSES

Certain revenue sources that the University relies on to provide funding for operations, including Noncapital State Appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs, other costs related to capital assets, and transfers to component units.

The University experienced another decrease in appropriations revenue, but expenses decreased because of last year's one-time expense associated with the changes in capitalization thresholds. Noncapital Grants, Contracts, and Gifts also increased and the net effect of these changes increased net nonoperating revenue by \$5.1 million. The following summarizes the University's nonoperating revenues and expenses for the 2012-13 and 2011-12 fiscal years:

Nonoperating Revenues (Expenses) <i>(in millions)</i>			
	2012-13	2011-12	
Noncapital State Appropriations	\$ 485.5	\$ 527.9	
State Appropriated - ARRA Funds	-	2.4	
Federal and State Student Financial Aid	114.1	116.2	
Noncapital Grants, Contracts, and Gifts	84.1	81.1	
Investment Income, Net of Expenses	19.2	24.1	
Increase in Fair Market Value of Investments	4.3	2.3	
Loss on Disposal of Capital Assets	(3.9)	(2.6)	
Interest on Capital Asset-Related Debt	(6.1)	(5.5)	
Other Nonoperating Expenses	(10.1)	(63.9)	
Net Nonoperating Revenues (Expenses)	\$ 687.1	\$ 682.0	

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is composed of Capital State Appropriations and Capital Grants, Contracts, Donations, and Student Fees. The University received more in Capital State Appropriations due to some easing of State construction budget constraints. The following summarizes the University's other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

Other Revenues, Expenses, Gains, or Losses <i>(in millions)</i>			
	2012-13	2011-12	
Capital State Appropriations	\$ 9.5	\$ 6.1	
Capital Grants, Contracts, Donations, and Student Fees	13.9	15.9	
Total Other Revenues, Expenses, Gains, or Losses	\$ 23.4	\$ 22.0	

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 reflect the net cash used by the 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 reflect the net source and use of cash related to the 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.

Major sources of funds came from Noncapital State Appropriations (\$485.5 million), Student Tuition and Fees, Net (\$355.2 million), Grants and Contracts (\$1,082.3 million), and Sales and Services of Auxiliary Enterprises (\$138.6 million). Major uses of funds were for Payments to Employees (\$1,567.1 million), Payments to Suppliers for Goods and Services (\$523.9 million), and the Purchase or Construction of Capital Assets (\$139.2 million). The following table summarizes cash flows for the 2012-13 and 2011-12 fiscal years:

Condensed Statement of Cash Flows <i>(in millions)</i>			
	2012-13	2011-12	
Cash Provided (Used) by:			
Operating Activities	\$ (557.0)	\$ (627.1)	
Noncapital Financing Activities	734.3	728.6	
Capital and Related Financing Activities	(112.6)	(110.7)	
Investing Activities	(64.9)	8.2	
Net Decrease in Cash and Cash Equivalents	(0.2)	(1.0)	
Cash and Cash Equivalents, Beginning of Year	0.5	1.5	
Cash and Cash Equivalents, End of Year	\$ 0.3	\$ 0.5	

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2013, the University had approximately \$3.3 billion in capital assets, less accumulated depreciation of \$1.6 billion, for net capital assets of \$1.7 billion. Depreciation charges for the current fiscal year totaled \$121.4 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Total Capital Assets, Net (in millions)		
	2013	2012
Land	\$ 10.8	\$ 10.8
Buildings	1,339.5	1,253.3
Infrastructure and Other Improvements	46.1	40.9
Furniture and Equipment	185.1	190.0
Library Resources	56.4	58.7
Property Under Capital Lease	6.0	6.2
Other Capital Assets	4.2	4.1
Construction in Progress	38.2	101.7
Total Capital Assets (Nondepreciable and Depreciable, Net)	\$ 1,686.3	\$ 1,665.7

Additional information about the University's capital assets is presented in Note 8 to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses were incurred on the following completed projects for fiscal year ending June 30, 2013: Clinical Translational Research Building including Institute on Aging Research Building (\$30.4 million); East Campus Data Center (\$12.1 million); and Lake Nona Research Facility (\$11.9 million).

The University's major capital commitments at June 30, 2013, for ongoing projects are summarized below:

Major Capital Commitments (in millions)

	Amount
Total Commitments	\$ 332.9
Completed to Date	38.2
Balance Committed	\$ 294.7

Additional information about the University's capital commitments is presented in Note 15 to the financial statements.

DEBT ADMINISTRATION

At June 30, 2013, the University had \$129.1 million in outstanding Capital Improvement Debt Payable, Loans and Notes Payable, Capital Leases Payable, and Installment Purchase Agreements Payable, representing a decrease of \$2.3 million, or 1.8%, from the prior fiscal year. The following table summarizes the outstanding capital asset-related debt by type of debt at June 30:

Capital Asset-Related Debt (in millions)

	2013	2012
Capital Improvement Debt	\$ 119.4	\$ 126.3
Loans and Notes	5.0	-
Capital Leases	3.1	3.2
Installment Purchase Agreements	1.6	1.9
Total Capital Asset-Related Debt	\$ 129.1	\$ 131.4

Additional information about the University's capital asset-related debt is presented in Note 12 to the financial statements.



ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

On May 20, 2013, Governor Scott signed into law the State's \$74.1 billion budget for the next fiscal year. The 2013-14 budget includes increases for education. For the first time in State history, the University of Florida was designated as a preeminent research university. The University has received the support of the Legislature, Governor, Board of Governors, and Trustees for this important strategic goal. The standards for this designation include criteria based on spending on research, six-year graduation rates, number of doctoral degrees awarded, and number of patents awarded. Lawmakers allocated \$15 million annually for the next five years to support the University in its goal of joining the Nation's top ten public research universities. The University will match these funds dollar-for-dollar through private fundraising, dedicating \$30 million annually for hiring new faculty. As part of this preeminent status, the University has taken on the responsibility for developing and implementing the State's online university program and was appropriated \$15 million.

The University also received approval for a 1.7% tuition increase in undergraduate resident tuition, the professional schools increased resident tuition between 1.5% and 15%, and two graduate programs increased their resident tuition by 5% and 15%. These increases, effective Fall 2013, will generate an expected \$5.7 million in the 2013-14 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, 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, P.O. Box 113200, Gainesville, Florida 32611.



STATEMENT OF NET POSITION as of June 30, 2013 (amounts expressed in thousands)

	University of Florida		Component Units (FYE in 2013)		
	2013	2012	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 1)	\$ 285	\$ 503	\$ 29,405	\$ 63,591	\$ 79,734
Investments (Note 3)	1,071,694	987,024	196,484	2,489	212,855
Accounts Receivable, Net (Note 4)	90,802	145,382	99,848	56,138	253,275
Loans and Notes Receivable, Net (Note 4)	2,821	3,155	-	-	-
Due From State (Note 5)	14,795	31,535	-	-	5,185
Due From Component Units/University (Note 6)	26,503	13,320	101,885	8,253	14,366
Inventories (Note 7)	4,570	4,680	37	-	22,995
Other Current Assets	1,964	1,824	6,121	3,812	57,576
Total Current Assets	1,213,434	1,187,423	433,780	134,283	645,986
Noncurrent Assets:					
Restricted Cash and Cash Equivalents (Note 1)	21	16	10,441	-	19,500
Restricted Investments (Note 3)	104,053	100,878	1,603,407	17,627	316,093
Loans and Notes Receivable, Net (Note 4)	36,375	37,491	-	-	-
Depreciable Capital Assets, Net (Note 8)	1,633,266	1,549,324	182,459	65,360	748,848
Nondepreciable Capital Assets (Note 8)	53,072	116,369	74,076	6,147	127,787
Other Noncurrent Assets	1,040	1,126	162	7,568	226,153
Total Noncurrent Assets	1,827,827	1,805,204	1,870,545	96,702	1,438,381
TOTAL ASSETS	3,041,261	2,992,627	2,304,325	230,985	2,084,367
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Interest Rate Swap Agreements	-	-	-	-	39,425
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,041,261	\$ 2,992,627	\$ 2,304,325	\$ 230,985	\$ 2,123,792
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 66,992	\$ 75,033	\$ 13,373	\$ 10,804	\$ 198,037
Salaries and Wages Payable	19,252	19,266	2,389	1,204	63,604
Due To Component Units/University (Note 6)	80,174	14,863	68,502	4,948	-
Unearned Revenue (Note 10)	25,430	25,575	58,466	1,600	-
Deposits Held in Custody	16,086	9,610	500	38	-
Other Current Liabilities (Note 11)	7,133	8,349	17,108	262	-
Long-Term Liabilities - Current Portion: (Note 12)	-	-	-	-	-
Capital Improvement Debt Payable	7,307	6,919	-	-	-
Bonds Payable	-	-	26,685	1,976	23,057
Installment Purchase Agreements Payable	846	868	-	-	-
Capital Leases Payable	129	74	-	186	2,889
Compensated Absences Payable	9,143	7,243	300	5,530	-
Liability for Self-Insured Claims	11,596	15,440	12,125	-	-
Total Current Liabilities	244,088	183,240	199,448	26,548	287,587
Noncurrent Liabilities: (Note 12)					
Capital Improvement Debt Payable	112,094	119,365	-	-	-
Bonds Payable	-	-	91,210	37,048	721,324
Loans and Notes Payable	5,000	-	-	8,000	-
Installment Purchase Agreements Payable	772	1,077	-	-	-
Capital Leases Payable	2,947	3,076	-	516	6,756
Compensated Absences Payable	104,305	90,621	2,895	-	-
Other Postemployment Benefits Payable	139,775	102,458	-	-	2,040
Liability for Self-Insured Claims	44,551	87,392	-	-	-
Other Noncurrent Liabilities	18,768	19,106	30,742	-	69,851
Total Noncurrent Liabilities	428,212	423,095	124,847	45,564	799,971
TOTAL LIABILITIES	672,300	606,335	324,295	72,112	1,087,558
NET POSITION					
Net Investment in Capital Assets	1,554,445	1,570,417	119,977	23,781	283,259
Restricted:					
Nonexpendable:					
Endowment	-	-	1,163,639	-	97
Expendable:					
Endowment	-	-	261,911	-	11,244
Loans	35,853	36,065	-	-	-
Capital Projects	64,217	47,251	-	-	-
Debt Service	5,453	5,289	-	-	-
Other	589,690	566,081	309,341	-	-
Unrestricted	119,303	161,189	125,162	135,092	741,634
TOTAL NET POSITION	2,368,961	2,386,292	1,980,030	158,873	1,036,234
TOTAL LIABILITIES AND NET POSITION	\$ 3,041,261	\$ 2,992,627	\$ 2,304,325	\$ 230,985	\$ 2,123,792

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION for the Fiscal Year Ended June 30, 2013

(amounts expressed in thousands)

	University of Florida		Component Units (FYE in 2013)		
	2012-13	2011-12	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
OPERATING REVENUES					
Student Tuition and Fees	\$ 500,508	\$ 462,050	\$ -	\$ -	\$ -
Scholarship Allowances	(148,064)	(141,554)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	352,444	320,496	-	-	-
Federal Grants and Contracts	391,536	408,728	-	-	-
State and Local Grants and Contracts	44,783	43,085	-	-	-
Nongovernmental Grants and Contracts	643,612	604,723	-	-	-
Sales and Services of Auxiliary Enterprises (Note 13)	131,350	129,369	-	-	-
Sales and Services of Educational Departments	51,555	47,771	-	-	-
Sales and Services of Component Units	-	-	113,186	-	-
Hospital Revenues	-	-	-	560,386	1,630,629
Gifts and Donations - Component Units	-	-	84,290	9,642	-
Royalties and Licensing Fees - Component Units	-	-	24,897	-	-
Interest on Loans and Notes Receivable	976	998	-	-	-
Other Operating Revenues	2,524	2,288	10,444	8,169	52,483
Total Operating Revenues	1,618,780	1,557,458	232,817	578,197	1,683,112
OPERATING EXPENSES					
Employee Compensation and Benefits	1,619,868	1,522,935	-	-	-
Services and Supplies	460,776	446,578	-	-	-
Utilities and Communications	64,748	65,675	-	-	-
Scholarships, Fellowships and Waivers, Net	82,024	80,810	-	-	-
Depreciation	121,356	116,697	9,676	7,596	72,460
Self-Insured Claims and Expenses (Note 16)	(2,183)	11,803	-	-	-
Other Component Unit Operating Expenses	-	-	285,898	220,356	1,412,845
Total Operating Expenses (Note 18)	2,346,589	2,244,498	295,574	227,952	1,485,305
Operating Income (Loss)	(727,809)	(687,040)	(62,757)	350,245	197,807
NONOPERATING REVENUES (EXPENSES)					
Noncapital State Appropriations	485,479	527,880	2,000	-	7,500
Federal and State Student Financial Aid	114,094	116,178	-	-	-
State Appropriated American Recovery and Reinvestment Act Funds	-	2,384	-	-	-
Noncapital Grants, Contracts, and Gifts	84,091	81,077	2,539	-	-
Investment Income	21,850	26,156	119,192	399	11,634
Net Increase (Decrease) in the Fair Value of Investments	4,304	2,355	10,735	1,138	(2,509)
Investment Expenses	(2,566)	(2,097)	-	-	-
Gain (Loss) on Disposal of Capital Assets	(3,898)	(2,573)	(255)	(87)	1,543
Interest on Capital Asset-Related Debt	(6,134)	(5,483)	(3,509)	-	(17,045)
Other Nonoperating Revenues (Expenses)	(10,128)	(63,852)	17,291	(350,466)	(134,401)
Net Nonoperating Revenues (Expenses)	687,092	682,025	147,993	(349,016)	(133,278)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(40,717)	(5,015)	85,236	1,229	64,529
Capital State Appropriations	9,464	6,060	-	-	-
Capital Grants, Contracts, Donations, and Student Fees	13,922	15,950	11,108	-	-
Additions to Permanent Endowments	-	-	40,184	-	-
Total Other Revenues, Expenses, Gains, or Losses	23,386	22,010	51,292	-	-
Increase (Decrease) in Net Position	(17,331)	16,995	136,528	1,229	64,529
Net Position, Beginning of Year	2,386,292	2,369,297	1,861,657	169,647	987,491
Adjustment to Beginning Net Position (Note 2)	-	-	(18,155)	(12,003)	(15,786)
Adjusted Net Position, Beginning of Year, as Restated	2,386,292	2,369,297	1,843,502	157,644	971,705
Net Position, End of Year	\$ 2,368,961	\$ 2,386,292	\$ 1,980,030	\$ 158,873	\$ 1,036,234

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS for the Fiscal Year Ended June 30, 2013 (amounts expressed in thousands)

	University of Florida	
	2012-13	2011-12
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Net	\$ 355,196	\$ 316,411
Grants and Contracts	1,082,254	1,043,057
Sales and Services of Auxiliary Enterprises	138,640	117,239
Sales and Services of Educational Departments	51,538	47,609
Repayment of Loans and Notes Receivable from Students	7,755	5,962
Interest on Loans Receivable	1,209	786
Other Operating Receipts	3,073	2,447
Payments to Employees	(1,567,072)	(1,563,109)
Payments to Suppliers for Goods and Services	(523,864)	(503,087)
Payments to Students for Scholarships and Fellowships	(82,024)	(80,810)
Loans Issued to Students	(6,305)	(6,213)
Payments on Self-Insured Claims and Expenses	(17,397)	(7,378)
Net Cash Used by Operating Activities	(556,997)	(627,086)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital State Appropriations	485,479	527,880
Federal and State Financial Aid	114,094	116,178
State Appropriated American Recovery and Reinvestment Act Funds	-	2,384
Noncapital Grants, Contracts, and Gifts	84,091	81,077
Direct Loan Program Receipts	253,278	245,805
Direct Loan Program Disbursements	(253,275)	(245,794)
Net Change in Funds Held for Others	58,500	2,899
Other Nonoperating Receipts	948	2,180
Other Nonoperating Disbursements	(8,834)	(3,979)
Net Cash Provided by Noncapital Financing Activities	734,281	728,630
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Debt	5,000	27,094
Capital State Appropriations	26,204	50,889
Capital Grants, Contracts, Donations, and Student Fees	9,548	3,349
Proceeds from Sales of Capital Assets	358	193
Other Receipts for Capital Projects	17	55
Purchase or Construction of Capital Assets	(139,187)	(179,498)
Principal Paid on Capital Debt and Leases	(8,436)	(7,342)
Interest Paid on Capital Debt and Leases	(6,134)	(5,483)
Net Cash Used by Capital and Related Financing Activities	(112,630)	(110,743)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	1,564,849	1,476,554
Purchase of Investments	(1,650,132)	(1,492,980)
Investment Income	20,416	24,605
Net Cash Provided (Used) by Investing Activities	(64,867)	8,179
Net Decrease in Cash and Cash Equivalents	(213)	(1,020)
Cash and Cash Equivalents, Beginning of Year	519	1,539
Cash and Cash Equivalents, End of Year	\$ 306	\$ 519
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (727,809)	\$ (687,040)
Adjustments to Reconcile Operating Loss to Net		
Cash Used by Operating Activities:		
Depreciation Expense	121,356	116,697
Change in Assets and Liabilities:		
Receivables, Net	54,879	(27,715)
Due From Component Units	(13,183)	(1,843)
Inventories	110	185
Other Assets	(68)	7
Accounts Payable	1,617	8,974
Salaries and Wages Payable	(106)	3,497
Due to State and Component Units	-	(1,414)
Unearned Revenue	(145)	(362)
Deposits Held in Custody	136	1,175
Other Postemployment Benefits Payable	37,317	36,396
Compensated Absences Payable	15,584	(80,067)
Liability for Self-Insured Claims	(46,685)	4,424
NET CASH USED BY OPERATING ACTIVITIES	\$ (556,997)	\$ (627,086)
SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING, INVESTING, AND CAPITAL RELATED FINANCING ACTIVITIES		
The following items are recognized on the Statement of Net Position or the Statement of Revenues, Expenses and Changes in Net Position, but are not cash transactions for the Statement of Cash Flows:		
Self-insurance program adjustment (Note 16)	\$ 27,104	
Unrealized gains on investments	\$ 4,304	
Acquisition of equipment under installment purchase agreements	\$ 840	
Loss on disposal of capital assets	\$ (3,898)	

The accompanying notes are an integral part of these financial statements.



Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2013

1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the University of Florida are described below to enhance the usefulness of the financial statements.

A. 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 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 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.

B. Blended Component Units

Based on the application of the criteria for determining component units, the University of Florida Self-Insurance Program (the Program), and the University of Florida Healthcare Education Insurance Company (HEIC), are included within the University reporting entity as blended component units. 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. 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. See Notes 16 and 19 for more details.

C. Discretely Presented Component Units

Based on the application of the criteria for determining component units, certain affiliated organizations are required to be included within the University reporting entity as discretely presented component units because of the significance of their relationship with the University. These organizations are legally separate from the University and are governed by separate boards. 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 reports are 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 19.

However, financial activities of certain component units are not included in the University's financial statements and are denoted below with an asterisk (*). The total assets and operating revenues related to these component units are \$42 million and \$25 million, respectively. These amounts represent one percent or less of the total aggregate component unit assets and operating revenues. The resulting changes in Net Position are presented in Note 2.

D. 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 Levin 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 4-H Youth Development Program, an official part of the Florida Cooperative Extension Service.

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.

Citrus Research and Development Foundation, Inc., was formed to advance disease and production research and product development activities to ensure the survival and competitiveness of Florida's citrus growers through innovation.

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.

UF Historic St. Augustine, Inc.,* ensures the long-term preservation and interpretation of State-owned historic properties in St. Augustine.

University of Florida Development Corporation develops and maintains Innovation Square where the University-owned Florida Innovation Hub is located.

GatorCare Health Management Corporation coordinates and facilitates the management of the self-insured health insurance plan of the University and its participating affiliated employers, collecting and paying employer and employee premiums.

E. Health Science Center Affiliates

Several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center (JHMH) 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 JHMH.

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 non-academic entities, effecting managed care contracting and provider network development for the JHMH. 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.

F. Shands 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 Board of Education, to provide for the use of hospital facilities at the JHMH 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 position of Shands reverts 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 JHMH 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.

Shands Jacksonville HealthCare, Inc. (Shands Jacksonville), is a Florida not-for-profit corporation. Shands Jacksonville was organized primarily to provide healthcare and related services to the community including the City of Jacksonville and surrounding counties, and to support the teaching and research missions of the University.

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.

G. 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 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 entity-wide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - 1) Statement of Net Position
 - 2) Statement of Revenues, Expenses, and Changes in Net Position
 - 3) Statement of Cash Flows
 - 4) Notes to the Financial Statements
- Other Required Supplementary Information

H. Basis of Accounting

Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, 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, deferred outflow of resources, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's blended and discretely presented 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. Twenty-three component units follow GASB standards of accounting and financial reporting. Eight component units (University of Florida Foundation, Inc., Florida Foundation Seed Producers, Inc., Southwest Florida Research and Education Foundation, Inc., Citrus Research and Education Foundation, Inc., Citrus Research and Development Foundation, Inc., Treasure Coast Agricultural Research Foundation, Inc., University of Florida Alumni Association, Inc., and University of Florida Investment Corporation) follow FASB standards of accounting and financial reporting for not-for-profit organizations.

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 noncapital State Appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments) and capital State Appropriations for construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

The Statement of Revenues, Expenses, and Changes in Net Position is presented by major sources and is reported net

of tuition scholarships, discounts, and allowances. Tuition scholarships, discounts, and 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 scholarships, discounts, and 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*.

I. Cash and Cash Equivalents

The amount reported by the University as cash and cash equivalents consists of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida’s multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets or other restricted assets, are classified as restricted. The University considers cash balances in overnight sweep accounts to be investments, as permitted by GASB Statement No. 9.

J. 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 on 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 \$4 million for intangible assets, which includes computer software, and \$5,000 for tangible personal property. The costs of all new buildings and projects adding new square footage are capitalized. Infrastructure and leasehold improvements have a \$250,000 capitalization threshold. For building renovations, the threshold is \$250,000 or less if the amount expended is at least

25% of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 5 to 50 years, depending on construction
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Lease – 40 years
- Computer Software – 5 years

K. Noncurrent Liabilities

Noncurrent liabilities include principal amounts of capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insured claims, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums or discounts and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as Other Noncurrent Assets, and are amortized over the life of the debt using the straight-line method.

L. Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and subsequent notes hereafter.

2 ADJUSTMENTS TO BEGINNING NET POSITION - COMPONENT UNITS

Table 1 summarizes the Adjustments to Beginning Net Position reported in the Statement of Revenues, Expenses, and Changes in Net Position to reflect prior year accounting changes and correction of a prior year accounting error of the University’s discretely presented component units.

Table 2 summarizes the changes to Beginning Net Position for those discretely presented component units that are no longer reported in the University’s financial statements.

Table 1. Adjustments to Beginning Net Position

Description	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
University of Florida Research Foundation, Inc. - Write-off bond issuance costs per GASB 65 implementation	\$ (520,082)	\$	\$
University of Florida Research Foundation, Inc. - Understated allocation payable related to a nonrecurring event (settlement of a licensing dispute)	(161,531)		
The University Athletic Association, Inc. - Write-off bond issuance costs per GASB 65 implementation	(641,861)		
Shands Teaching Hospital and Clinics, Inc. - GASB 65 implementation			(15,826,000)
Total Adjustments to Beginning Net Position per Audited Component Units Financial Statements	(1,323,474)		(15,826,000)
Total Changes to Beginning Net Position for Component Units No Longer Reported (See Table 2)	(16,831,147)	(12,002,500)	40,280
Total Adjustments to Beginning Net Position	\$ (18,154,621)	\$ (12,002,500)	\$ (15,785,720)

Table 2. Changes to Beginning Net Position - Component Units No Longer Reported

Description	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
The University of Florida Law Center Association, Inc.	\$ (6,666,677)	\$	\$
Florida Foundation Seed Producers, Inc.	(4,314,721)		
Florida 4-H Club Foundation, Inc.	(2,217,817)		
Southwest Florida Research and Education Foundation, Inc.	(135,342)		
Citrus Research and Education Foundation, Inc.	(1,579,434)		
University of Florida Leadership and Education Foundation, Inc.	(1,034,126)		
Treasure Coast Agricultural Research Foundation, Inc.	(319,642)		
University of Florida Alumni Association, Inc. (blended with University of Florida Foundation, Inc.)	-		
University of Florida Investment Corporation	(563,388)		
UF Historic St. Augustine, Inc. (included with the University in prior year)	-		
Florida Health Professions Association, Inc.		(4,006,858)	
University of Florida College of Nursing Faculty Practice Association, Inc.		(4,959,740)	
University of Florida College of Pharmacy Faculty Practice Association, Inc.		(1,378,738)	
Faculty Clinic, Inc.		(1,657,164)	
University Village Apartments, Inc.			40,280
Total Changes to Beginning Net Position for Component Units No Longer Reported	\$ (16,831,147)	\$ (12,002,500)	\$ 40,280

3 INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and

savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees, as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. Investments of the University and its component units at June 30, 2013, are reported at fair value and shown in Tables 3 and 4.

Table 3. University Investments

Types of Investments	Fair Value
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 722,572,823
State Board of Administration Debt Service Accounts	2,891,960
Repurchase Agreements	21,331,796
Stocks	516
Certificates of Deposit	750,000
Investment Agreements	283,729,271
Equity Mutual Funds	49,921,703
Bond Mutual Funds	94,548,739
Total University Investments	\$ 1,175,746,808

Table 4. Component Unit Investments

Types of Investments	Fair Value
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 246,639,281
State Board of Administration Florida PRIME Investment Pool	321,379
United States Government and Federally-Guaranteed Obligations	3,590,836
Bonds and Notes	15,113,393
Investment Agreements	1,847,864,207
Real Estate Agreements	9,420,109
Stocks	565,479
Money Market Funds	59,115,020
Equity Mutual Funds	61,276,446
Bond Mutual Funds	83,858,140
Commercial Paper	21,190,000
Total Component Unit Investments	\$ 2,348,954,290

A. External Investment Pools

The University and its discretely presented component units (see Note 1) reported investments at fair value totaling \$722,572,823 and \$246,639,281, respectively, at June 30, 2013, 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 duration of 2.65 years at June 30, 2013. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2013, the University's component units reported investments totaling \$321,379 in the Florida PRIME investment pool, administered by the SBA pursuant to Section 218.405, Florida Statutes. The 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, 2013, are similar to money market funds in which shares are owned in the

fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2013. 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.

B. State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$2,891,960 at June 30, 2013, in the 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.

C. 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, and the University of Florida Healthcare Education Insurance Company, blended component units (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, Inc., Shands Jacksonville HealthCare, 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, 2013, are shown in Tables 5 and 6, respectively.

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, 2013, 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 (e.g., Moody's Investors Service), as shown in Tables 7 and 8, respectively.

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.

Table 5. University Debt Investment Maturities

Types of Investments	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Bond Mutual Funds	\$ 94,548,739	\$ -	\$ 94,548,739	\$ -	\$ -

Table 6. Component Units Debt Investment Maturities

Types of Investments	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 2,757,344	\$ -	\$ -	\$ 2,757,344	\$ -
Bonds and Notes	14,869,787	-	13,522,834	1,346,953	-
Bond Mutual Funds	72,413,088	6,549,447	10,447,641	55,416,000	-
Total Component Units	\$ 90,040,219	\$ 6,549,447	\$ 23,970,475	\$ 59,520,297	\$ -

Table 7. University Debt Investment Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Bond Mutual Funds	\$ 94,548,739	\$ 25,483,658	\$ 55,319,636	\$ 8,399,131	\$ 5,346,314

Table 8. Component Units Debt Investment Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Bonds and Notes	\$ 14,869,787	\$ 1,946,171	\$ 3,953,347	\$ 6,976,599	\$ 1,993,670
Money Market Funds	33,946,000	-	-	-	33,946,000
Bond Mutual Funds	72,413,088	-	2,488,891	-	69,924,197
Total Component Units	\$ 121,228,875	\$ 1,946,171	\$ 6,442,238	\$ 6,976,599	\$ 105,863,867

4 RECEIVABLES

A. 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. Accounts receivable, net of an allowance for uncollectible accounts, reported as of June 30, 2013, are summarized in Table 9.

Table 9. Accounts Receivable

Description	Amount
Grants and Contracts	\$ 74,415,876
Sales and Services of Auxiliary Enterprises	7,141,746
Student Tuition and Fees	6,755,287
Sales and Services of Educational Departments	1,721,881
Interest	767,361
Total Accounts Receivable, Net	\$ 90,802,151

B. Loans and Notes Receivable

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

C. 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 factors considered appropriate. 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 \$6,001,484, which is 26.8% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$4,050,296 which is 9.4% 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.

5 DUE FROM STATE

This amount consists of \$14,794,948 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

6 DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2013. The University's discretely presented component units' financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units are not presented (see Note 1). 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 Position may not agree with amounts reported by the component units as due from and to the University.

7 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 Position.

Merchandise Inventories - 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 are reported on the Statement of Net Position and are valued at cost using either the moving average method or the first-in, first-out method.

8 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, is presented in Table 10.

Table 10. Capital Assets

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 10,763,861	\$ 77,375	\$ -	\$ 10,841,236
Construction in Progress	101,729,546	116,037,451	179,547,346	38,219,651
Works of Art and Historical Treasures	3,875,293	135,991	-	4,011,284
Total Nondepreciable Capital Assets	116,368,700	116,250,817	179,547,346	53,072,171
Depreciable Capital Assets:				
Buildings	2,130,801,588	157,416,622	4,163,982	2,284,054,228
Infrastructure and Other Improvements	98,955,199	9,305,668	-	108,260,867
Furniture and Equipment	525,249,250	36,005,120	26,891,938	534,362,432
Library Resources	306,117,818	9,332,471	632,856	314,817,433
Property Under Capital Lease	9,815,002	-	-	9,815,002
Works of Art and Historical Treasures	519,695	-	100,000	419,695
Computer Software	24,533,000	-	-	24,533,000
Other Capital Assets	9,500	-	-	9,500
Total Depreciable Capital Assets	3,096,001,052	212,059,881	31,788,776	3,276,272,157
Less Accumulated Depreciation:				
Buildings	877,453,220	69,194,232	2,095,027	944,552,425
Infrastructure and Other Improvements	58,005,202	4,172,208	-	62,177,410
Furniture and Equipment	335,294,480	35,979,301	22,039,935	349,233,846
Library Resources	247,447,769	11,739,255	814,113	258,372,911
Property Under Capital Lease	3,618,198	245,376	-	3,863,574
Works of Art and Historical Treasures	322,974	23,949	78,187	268,736
Computer Software	24,533,000	-	-	24,533,000
Other Capital Assets	2,217	1,900	-	4,117
Total Accumulated Depreciation	1,546,677,060	121,356,221	25,027,262	1,643,006,019
Total Depreciable Capital Assets, Net	1,549,323,992	90,703,660	6,761,514	1,633,266,138
Total Capital Assets, Net	\$ 1,665,692,692	\$ 206,954,477	\$ 186,308,860	\$ 1,686,338,309

9 MUSEUM AND ART COLLECTIONS

The Florida Museum of Natural History, which is part of the University, maintains a depository of biological, geological, archaeological, and ethnographic materials. The Museum's collections contain approximately 32 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 over 9,000 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 9 of the Foundation's audited financial statements for the fiscal year ended June 30, 2013. Purchases of artwork by the Museum are included with the University's reported Nondepreciable Capital Assets as presented in Table 10.

10 UNEARNED REVENUE

Unearned Revenue includes amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Unearned Revenue, as of June 30, 2013, is summarized in Table 11.

Table 11. Unearned Revenue

Description	Amount
Grants and Contracts	\$ 19,386,506
Sales and Services of Auxiliary Enterprises	6,043,899
Total Unearned Revenue	\$ 25,430,405

11 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 for

the amount of outstanding checks not presented as of June 30, 2013. This did not, however, represent an overdraft in the University's depository accounts.

12 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2013, include capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insured claims, and other noncurrent liabilities. Long-term liability activity for the fiscal year ended June 30, 2013, is presented in Table 12.

A. Capital Improvement Debt Payable

Capital improvement debt is issued to construct student housing facilities, parking garages, and various other University facilities. The outstanding debt for student housing and parking garages is secured by a pledge of a portion of housing rental revenues and parking fees. The outstanding debt for the Clinical Translational Research Building is secured by a pledge of a portion of indirect costs revenues received by the College of Medicine.

A summary of the University's capital improvement debt payable at June 30, 2013, appears in Table 13.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2013, appear in Table 14.

Table 12. Long-Term Liabilities

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Asset-Related Debt:					
Capital Improvement Debt Payable	\$ 126,283,652	\$ -	\$ 6,882,482	\$ 119,401,170	\$ 7,307,000
Loans and Notes Payable	-	5,000,000	-	5,000,000	-
Installment Purchase Agreements Payable	1,945,463	839,903	1,167,288	1,618,078	846,343
Capital Leases Payable	3,149,506	-	73,743	3,075,763	128,780
Total Capital Asset-Related Debt	131,378,621	5,839,903	8,123,513	129,095,011	8,282,123
Other Long-Term Liabilities:					
Compensated Absences Payable	97,864,072	24,945,080	9,360,827	113,448,325	9,142,553
Other Postemployment Benefits Payable	102,458,000	47,382,000	10,065,000	139,775,000	-
Liability for Self-Insured Claims (Note 16)	102,831,592	(29,286,713)	17,397,418	56,147,461	11,596,311
Other Noncurrent Liabilities	19,106,077	-	337,876	18,768,201	-
Total Long-Term Liabilities	\$ 453,638,362	\$ 48,880,270	\$ 45,284,634	\$ 457,233,998	\$ 29,020,987

Table 13. Capital Improvement Debt Payable

Type and Series	Amount of Original Issue	Amount Outstanding Principal	Amount Outstanding Interest	Interest Rates	Maturity Date
Student Housing Auxiliary Debt:					
1984 Housing	\$ 3,500,000	\$ 180,000	\$ 5,400	3.000%	2014
2005A Housing	37,610,000	30,345,000	13,797,525	4.000 to 5.125%	2030
2011A Housing	16,350,000	14,035,000	3,523,531	2.000 to 4.000%	2028
2012A Housing	26,500,000	25,620,000	9,214,969	3.000 to 4.000%	2031
Total Student Housing Debt	83,960,000	70,180,000	26,541,425		
Parking Garage Auxiliary Debt:					
1993 Parking Garage	19,545,000	810,000	20,250	5.000%	2014
1998 Parking Garage	10,000,000	4,080,000	606,062	4.500 to 4.750%	2019
2007A Parking Garage	20,770,000	16,955,000	5,838,083	3.500 to 4.375%	2028
Total Parking Garage Debt	50,315,000	21,845,000	6,464,395		
University of Florida Revenue Bonds:					
2011 Clinical Translational Research Building	29,838,000	27,737,000	12,039,961	4.433%	2030
Plus: Unamortized Premiums	-	1,292,455	-		
Less: Unamortized Discounts	-	(327,203)	-		
Less: Unamortized Refunding Losses	-	(1,326,082)	-		
Total Capital Improvement Debt	\$ 164,113,000	\$ 119,401,170	\$ 45,045,781		

Table 14. Capital Improvement Debt Payable - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 7,307,000	\$ 4,970,782	\$ 12,277,782
2015	6,580,000	4,706,491	11,286,491
2016	6,829,000	4,448,234	11,277,234
2017	7,108,000	4,165,426	11,273,426
2018	7,432,000	3,852,725	11,284,725
2019-2023	34,955,000	14,662,246	49,617,246
2024-2028	35,908,000	7,314,568	43,222,568
2029-2031	13,643,000	925,309	14,568,309
Total Principal & Interest	119,762,000	45,045,781	164,807,781
Plus: Unamortized Premiums	1,292,455	-	1,292,455
Less: Unamortized Discounts	(327,203)	-	(327,203)
Less: Unamortized Refunding Losses	(1,326,082)	-	(1,326,082)
Total	\$ 119,401,170	\$ 45,045,781	\$ 164,446,951

B. Loans and Notes Payable

On June 17, 2013, the University borrowed \$5,000,000 at an interest rate of 3.58%, to finance the cost of heating, ventilation, and air conditioning (HVAC) update and renovation. The principal and interest cost is expected to be met by cost savings of the newer system. The note matures on November 1, 2033, and principal and interest payments are made annually. Annual requirements to amortize the outstanding note as of June 30, 2013, appear in Table 15.

Table 15. Loans and Notes Payable - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ -	\$ -	\$ -
2015	122,202	245,628	367,830
2016	146,744	174,625	321,369
2017	161,638	169,371	331,009
2018	173,282	163,585	336,867
2019-2023	885,435	725,127	1,610,562
2024-2028	1,259,642	545,144	1,804,786
2029-2033	1,809,997	282,245	2,092,242
2034	441,060	15,790	456,850
Total	\$ 5,000,000	\$ 2,321,515	\$ 7,321,515

C. Installment Purchase Agreements Payable

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$5,098,906. The stated interest rates ranged from 0.00% to 7.03%. Future minimum payments remaining under installment purchase agreements as of June 30, 2013, appear in Table 16.

Table 16. Installment Purchase Agreements Payable - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 846,343	\$ 35,470	\$ 881,813
2015	574,388	14,478	588,866
2016	141,350	3,584	144,934
2017	54,422	845	55,267
2018	1,575	6	1,581
Total Minimum Payments	\$ 1,618,078	\$ 54,383	\$ 1,672,461

D. 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 non-recourse 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 \$3,000,000 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% 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 \$3,000,000.

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, *Accounting for Leases*. The initial obligation was discounted at an imputed interest rate of 6.45% 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 appears in Table 17.

Table 17. Capital Leases Payable

Capital Leases	Interest Rate	Original Balances	Outstanding Balance at June 30, 2013
Shands Garage (607 spaces)	6.45%	\$ 1,382,470	\$ 770,848
Shands Garage (800 spaces)	6.45%	2,981,939	2,304,915
Total		\$ 4,364,409	\$ 3,075,763

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2013, are presented in Table 18.

Table 18. Capital Leases Payable - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 128,780	\$ 198,387	\$ 327,167
2015	137,086	190,080	327,166
2016	145,929	181,238	327,167
2017	155,341	171,826	327,167
2018	165,360	161,807	327,167
2019-2023	1,001,230	634,604	1,635,834
2024-2028	928,163	307,671	1,235,834
2029-2030	413,874	40,459	454,333
Total	\$ 3,075,763	\$ 1,886,072	\$ 4,961,835

E. 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, Noncapital 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, 2013, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$13,448,325. 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.

F. Other Postemployment Benefits Payable

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

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

Funding Policy. Plan benefits 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 2012-13 fiscal year, 2,451 retirees received postemployment benefits. The University provided required contributions of \$10,065,000 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 \$14,220,000, which represents 1.4% of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 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. Table 19 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.

Table 19. Annual OPEB Cost and Net OPEB Obligation

Description	Amount
Normal Cost (service cost for one year)	\$ 23,578,000
Amortization of Unfunded Actuarial Accrued Liability	21,457,000
Interest on Normal Cost and Amortization	1,801,000
Annual Required Contribution	46,836,000
Interest on Net OPEB Obligation	4,098,000
Adjustment to Annual Required Contribution	(3,552,000)
Annual OPEB Cost (Expense)	47,382,000
Contribution Toward the OPEB Cost	(10,065,000)
Increase in Net OPEB Obligation	37,317,000
Net OPEB Obligation, Beginning of Year	102,458,000
Net OPEB Obligation, End of Year	\$ 139,775,000

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, 2013, and for the two preceding years, are presented in Table 20.

Table 20. Annual OPEB Cost, Percentage Contributed, and Net Obligation

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 33,220,000	30.2%	\$ 66,062,000
2011-12	47,652,000	19.7%	102,458,000
2012-13	47,382,000	21.2%	139,775,000

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$643,742,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$643,742,000 and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was \$1,011,050,708 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 63.7%.

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 the Financial Statements, presents

multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2013, and the University's estimated 2012-13 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% rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4% per year. Healthcare trend rates were 8.29%, 9.16%, and 8.13% for the first three years respectively for all retirees in the PPO (Preferred Provider Organization) Plan and were 10.43%, 4.92%, and 8.80% 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% in the fourth year grading to 5.0% 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.

13 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 \$107,679,324 for the fiscal year ended June 30, 2013.

14 RETIREMENT PROGRAMS

A. Florida Retirement System

Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement

System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), 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, 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.

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 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 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. There were 1,712 University participants during

the 2012-13 fiscal year. Required employer contributions made to the Investment Plan totaled \$3,516,977 and employee contributions totaled \$1,997,341.

The State of Florida establishes contribution rates for participating employers and employees. Effective July 1, 2011, employees were required to contribute 3% of gross salary towards retirement. Contribution rates during the 2012-13 fiscal year are presented in Table 21.

Table 21. Florida Retirement System Rates

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00%	5.18%
Florida Retirement System, Senior Management Services	3.00%	6.30%
Florida Retirement System, Special Risk	3.00%	14.90%
Deferred Retirement Option Program-Applicable to Members from all of the Above Classes	0.00%	5.44%
Florida Retirement System, Reemployed Retiree	(B)	(B)
Notes: (A) Employer rates for each membership class include 1.11% for health insurance subsidy. Also, employer rates, other than for DROP participants, include .03% for administrative costs of the Investment Plan. (B) Contribution Rates are dependent upon retirement class in which reemployed.		

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. There were 7,915 University participants during the 2012-13 fiscal year. The University's contributions for the fiscal years ended June 30, 2011, and June 30, 2012, totaled \$38,823,505 and \$16,712,175, respectively, which were equal to the required contributions for each fiscal year. For the fiscal year ended June 30, 2013, the University's contributions totaled \$17,809,204 and employee contributions totaled \$8,636,742.

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.

B. 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 eight or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 5.64% of the participant's salary, less a small amount used to cover administrative costs and effective July 1, 2011, employees are required to contribute 3.0% of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 5,555 University participants during the 2012-13 fiscal year. Required employer contributions made to the Program totaled \$25,913,694 and employee contributions totaled \$25,441,963.

C. 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 28 University participants during the 2012-13 fiscal year. Required employer contributions made to the program totaled \$446,343. Employees do not contribute to this program.

D. Other Retirement Programs

Some University employees participate in the U.S. Civil Service Retirement System. Thirty-four employees were covered by the U.S. Civil Service Retirement System during the 2012-13 fiscal year. Employer contributions totaled \$201,617, and employee contributions totaled \$200,417.

15 CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2013, are presented in Table 22.



Table 22. Construction Commitments

Project Title	Total Commitment	Completed to Date	Balance Committed
Reitz Union Expansion and Renovation	\$ 69,000,000	\$ 2,378,466	\$ 66,621,534
Chemical Biology Building - Chemistry	65,900,000	5,008,000	60,892,000
Harrell Medical Education Building	44,447,700	1,716,910	42,730,790
Joint Use Library Storage Facility	26,660,000	857,342	25,802,658
Single Student Housing 2015	23,425,000	46,288	23,378,712
Heavener Hall - School of Business	22,650,000	1,615,428	21,034,572
PK Yonge Middle and High School Expansion	18,830,800	8,545	18,822,255
Energy Efficiencies for HVAC, Roof and Building Automation Controls - Entomology and Nematology	5,224,327	12,957	5,211,370
Corry Village Building 288 Renovation	4,223,805	2,254,144	1,969,661
Chilled Water Plant Boiler Replacement	3,017,414	1,092,312	1,925,102
Buckman Hall Bathroom, Kitchen, and Plumbing Renovation	2,657,000	1,135,782	1,521,218
Fume Hoods Chemical Lab 28	2,449,666	802,891	1,646,775
Buckman Hall Window Replacement	2,274,757	783,463	1,491,294
SCADA (Steam Piping) Infrastructure - Campus	2,047,904	1,504,745	543,159
Gator Corner Dining Addition	1,785,818	922,198	863,620
Government House Renovation	1,798,808	1,373,228	425,580
Austin Cary Conference Center	1,594,478	182,170	1,412,308
Air Handling Units Replacement, Fire Sprinkler Installation, and Reroof - Dental Science Building	1,550,000	35,283	1,514,717
Communicore Basement Sprinkler Installation and Ductwork Replacement	1,440,500	21,490	1,419,010
Government House Museum Exhibit	1,639,388	1,262,995	376,393
Corry Village Building 286 Renovation	1,418,300	108,726	1,309,574
Anatomical Pathology and Clinical Pathology Areas Renovation - Necropsy	1,205,750	508,460	697,290
Human Development Center Penthouse Air Handling Unit Replacement	1,201,943	742,609	459,334
Air Cooled Chillers at Emerson Alumni Hall	1,200,000	35,366	1,164,634
Lacy C. Rabon Chilled Water Plant	1,141,225	1,025,219	116,006
Stetson Medical Science Building Lab Suite Renovation - Pulmonary	1,106,916	114,495	992,421
Gainesville Communication Services Building	1,079,893	537,131	542,762
Campus Security System Enhancement	1,004,900	582,207	422,693
Transformer Replacement at UF Electrical Substation 1-5	1,000,000	33,099	966,901
McKnight Brain Institute Lab L1-151 Renovation	1,000,000	74,013	925,987
Subtotal	\$ 313,976,292	\$ 26,775,962	\$ 287,200,330
Projects Under \$1,000,000	18,920,048	11,443,689	7,476,359
Total	\$ 332,896,340	\$ 38,219,651	\$ 294,676,689

16 RISK MANAGEMENT PROGRAMS

A. 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(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 2012-13 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 of losses per occurrence with an annual aggregate retention of \$40 million for named windstorm 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 windstorm and flood losses. 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. There have been no significant reductions in insurance coverage from the prior year coverage. 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's group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees' Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on

the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

B. University Self-Insurance Programs

The University of Florida Self-Insurance 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 Self-Insurance Program provides general and professional liability protection for the University on behalf of the six health colleges of the JHMHC, which also include 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 HealthCare, Inc.; and other statutorily permitted entities, which voluntarily participate in the Self-Insurance Program. The University is protected for losses, which are subject to 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 Self-Insurance 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 University of Florida Self-Insurance Program, at limits of \$4 million per-legislative claims bill coverage for insured participants subject to Section 768.28, Florida Statutes, and \$3 million per claim for voluntary settlements entered into by the Self-Insurance Program Council and 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 University of Florida Self-Insurance Program and University of Florida Healthcare Education Insurance Company, for the estimated settlement value of claims that is reported as a Liability for Self-Insured Claims. The estimated settlement value of claims was determined based on the judgment and experience of management and the Self-Insurance Program Council through a case-by-case review. Estimated losses from incurred but unreported incidents are accrued based upon the findings of casualty actuaries.

The amount of Liability for Self-Insured Claims accrued, at June 30, 2013, for compensatory losses and for allocated expenses was \$56,147,461. The Liability for Self-Insured Claims was accrued at an undiscounted present value. The liability declined because the portion covered by reinsurance with third parties was not recorded this year as the actuary considers it fully recoverable. In addition, the actuary recommended a decrease in funding that can be attributed to: the sovereign immunity granted to Shands and Shands Jacksonville as of July 1, 2011; lower case reserves required for more mature years; and the decrease in the possibility of claims reaching the HEIC layer. As a result, the Self-Insurance Claims and Expenses on the Statement of Revenues, Expenses and Changes in Net Position are negative for the 2012-13 fiscal year.

The aggregate amount of claims liabilities for which annuity contracts have been purchased in the claimants' names, resulting in the removal of the related liabilities from the Statement of Net Position, totals \$1,700,000 for the Self-Insurance Program at June 30, 2013. These annuities have been assigned to third parties, and all claimants have fully and completely released the Self-Insurance Program participants from all actual and contingent liability.

Changes in the balances of claims liabilities for the Self-Insurance Program and HEIC during the 2011-12 and 2012-13 fiscal years are presented in Table 23.

17 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.

Table 23. Liability for Self-Insured Claims

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims/Changes in Estimates (A)	Claims Payments	Claims Liabilities End of Year
2011-12	\$ 98,407,591	\$ 11,800,173	\$ (7,376,172)	\$ 102,831,592
2012-13	102,831,592	(29,286,713)	(17,397,418)	56,147,461

Note: (A) The change in estimates of claim costs for the 2012-13 fiscal year, as determined by actuary, resulted in negative Current Claims/Changes in Estimates. See Note 16B for more details.

The United States Department of Health and Human Services' and National Science Foundation's Offices of Inspector General, with the United States Department of Justice (civil division), are investigating the University's practices relating to Federal awards finances and accounting. University management is unable to make a determination of the outcome or estimate costs that the University may incur as a result of this audit.

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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 Position are presented by natural classifications. Table 24 presents those same expenses in functional classifications as recommended by NACUBO.

Table 24. Functional Expenses

Functional Classifications	Amount
Instruction	\$ 650,924,813
Research	562,433,631
Public Service	429,069,316
Academic Support	154,270,292
Institutional Support	130,579,000
Depreciation	121,356,221
Auxiliary Operations	108,625,651
Operation and Maintenance of Plant	96,487,355
Scholarships, Fellowships and Waivers, Net	57,142,399
Student Services	35,700,071
Total Operating Expenses	\$ 2,346,588,749

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COMPONENT UNITS

A. Blended Component Units

The University has two blended component units as discussed in Note 1. Financial information for the University's blended component units is presented in Table 25.

B. Discretely Presented Component Units

The University's financial statements include 14 discretely presented component units as discussed in Note 1. These component units comprise 100% of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. Summary financial information from the most recently available audited financial statements for these component units is presented on the following pages in Tables 26, 27, and 28.

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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. Capital improvement debt has 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 Table 29.

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SUBSEQUENT EVENTS

On September 10, 2013, the Florida Board of Governors, on behalf of the University, issued \$41,540,000 of University of Florida Student Activity Revenue Bonds, Series 2013. The bonds will be repaid from student activity and service fees and the proceeds will be used to renovate and expand the J. Wayne Reitz Union, the community center of the University. The bonds will mature in annual increments starting on July 1, 2014, and ending on July 1, 2033. Interest payments are due semiannually on January 1 and July 1 beginning January 1, 2014.

On November 20, 2013, the Florida Board of Governors, on behalf of the University, issued \$24,805,000 of University of Florida Housing Dormitory Revenue Bonds, Series 2013A. The bonds will be repaid from dormitory fees charged to students. \$19,600,000 of the proceeds will be used to construct a 255-bed dormitory with state-of-the-art features complying with the Americans with Disabilities Act. The remaining \$5,205,000 will refund portions of the Student Housing Auxiliary Debt Bonds, Series 2005A, maturing in years 2016 through 2023. The new bonds will mature in annual increments starting on July 1, 2014, and ending on July 1, 2033. Interest payments are due semiannually on January 1 and July 1 beginning July 1, 2014.

On November 21, 2013, Shands Jacksonville Medical Center, Inc. (a subsidiary of Shands Jacksonville Healthcare, Inc., a discretely presented component unit of the University), borrowed \$123,645,000 with the issuance of Healthcare Facilities Revenue Bonds, Series 2013A and 2013B, for \$64,240,000 and \$59,405,000, respectively. The proceeds will be used to refund the Series 2013 Shands Jacksonville Medical Center Taxable Notes (Bridge Loan) of \$100,000,000, pay for the cost of debt issuance, provide for a debt service reserve fund, and reimburse or fund capital projects.

Table 25. Blended Component Units (amounts expressed in thousands)

	Self- Insurance Program 6/30/2013	Healthcare Education Insurance Company 6/30/2013	Total Blended Component Units	University	Eliminations	Total Primary Government
CONDENSED STATEMENT OF NET POSITION						
Assets						
Due from University/Blended Component Units	\$ -	\$ 28,932	\$ 28,932	\$ -	\$ (28,932)	\$ -
Current Assets	150,417	18,591	169,008	1,044,473	(47)	1,213,434
Capital Assets, Net	-	-	-	1,686,338	-	1,686,338
Other Noncurrent Assets	-	-	-	141,489	-	141,489
Total Assets	150,417	47,523	197,940	2,872,300	(28,979)	3,041,261
Liabilities						
Due to University/Blended Component Units	28,932	-	28,932	-	(28,932)	-
Current Liabilities	11,953	823	12,776	231,359	(47)	244,088
Noncurrent Liabilities	29,163	15,388	44,551	383,661	-	428,212
Total Liabilities	70,048	16,211	86,259	615,020	(28,979)	672,300
Net Position						
Net Investment in Capital Assets	-	-	-	1,554,445	-	1,554,445
Restricted-Expendable Other	80,369	31,312	111,681	583,532	-	695,213
Unrestricted	-	-	-	119,303	-	119,303
Total Net Position	\$ 80,369	\$ 31,312	\$ 111,681	\$ 2,257,280	\$ -	\$ 2,368,961
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION						
Operating Revenues	\$ 14,717	\$ 981	\$ 15,698	\$ 1,607,048	\$ (3,966)	\$ 1,618,780
Depreciation Expense	-	-	-	(121,356)	-	(121,356)
Other Operating Expenses	(5,574)	2,151	(3,423)	(2,226,116)	4,306	(2,225,233)
Operating Income (Loss)	9,143	3,132	12,275	(740,424)	340	(727,809)
Nonoperating Revenues (Expenses)						
Investment Income, Net of Expenses	3,168	294	3,462	15,822	-	19,284
Net Increase (Decrease) in the Fair Value of Investments	6,560	667	7,227	(2,923)	-	4,304
Other Nonoperating Revenues	-	-	-	686,890	-	686,890
Increase (Decrease) in Net Position	18,871	4,093	22,964	(40,635)	340	(17,331)
Net Position, Beginning of Year	61,498	27,219	88,717	2,297,915	(340)	2,386,292
Net Position, End of Year	\$ 80,369	\$ 31,312	\$ 111,681	\$ 2,257,280	\$ -	\$ 2,368,961
CONDENSED STATEMENT OF CASH FLOWS						
Net Cash Provided (Used) by						
Operating Activities	\$ (347)	\$ (2,514)	\$ (2,861)	\$ (549,818)	\$ (4,318)	\$ (556,997)
Noncapital Financing Activities	-	-	-	729,611	4,670	734,281
Capital and Related Financing Activities	-	-	-	(112,630)	-	(112,630)
Investing Activities	(291)	2,514	2,223	(67,090)	-	(64,867)
Net Increase (Decrease) in Cash and Cash Equivalents	(638)	-	(638)	73	352	(213)
Cash and Cash Equivalents, Beginning of Year	790	-	790	127	(398)	519
Cash and Cash Equivalents, End of Year	\$ 152	\$ -	\$ 152	\$ 200	\$ (46)	\$ 306

Table 26. Direct-Support Organizations *(amounts expressed in thousands)*

	University of Florida Foundation, Inc. 6/30/2013	University of Florida Research Foundation, Inc. 6/30/2013
CONDENSED STATEMENT OF NET POSITION		
Assets		
Due from Component Units/University	\$ 79,386	\$ -
Other Current Assets	106,288	153,515
Capital Assets, Net	70,755	-
Other Noncurrent Assets	1,551,350	-
Total Assets	1,807,779	153,515
Liabilities		
Due to Component Units/University	28,214	28,549
Other Current Liabilities	21,070	26,886
Noncurrent Liabilities	26,204	6,500
Total Liabilities	75,488	61,935
Net Position		
Net Investment in Capital Assets	19,255	-
Restricted-Nonexpendable Endowment	1,163,209	-
Restricted-Expendable Endowment	261,911	-
Restricted-Expendable Other	297,106	-
Unrestricted	(9,190)	91,580
Total Net Position	\$ 1,732,291	\$ 91,580
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating Revenues	\$ 79,945	\$ 30,464
Operating Expenses	(139,959)	(35,453)
Operating Income (Loss)	(60,014)	(4,989)
Nonoperating Revenues (Expenses)		
Investment Income, Net of Expenses	114,855	2,461
Net Increase in the Fair Value of Investments	762	4,644
Addition to Permanent Endowments	40,175	-
Other	11,893	879
Change in Net Position	107,671	2,995
Net Position, Beginning of Year	1,624,620	89,267
Adjustments to Beginning Net Position	-	(682)
Net Position, Beginning of Year, as Restated (Note 2)	1,624,620	88,585
Net Position, End of Year	\$ 1,732,291	\$ 91,580

The University Athletic Association, Inc. 6/30/2013	Gator Boosters, Inc. 6/30/2013	Citrus Research and Development Foundation, Inc. 6/30/2013	University of Florida Development Corporation 6/30/2013	GatorCare Health Management Corporation 6/30/2013	Total Direct- Support Organizations
\$ 11,843	\$ 10,656	\$ -	\$ -	\$ -	\$ 101,885
61,558	1,571	6,329	830	1,804	331,895
175,054	19	-	10,707	-	256,535
51,788	431	-	-	10,441	1,614,010
300,243	12,677	6,329	11,537	12,245	2,304,325
23	11,415	-	301	-	68,502
65,993	167	4,082	588	12,160	130,946
92,031	112	-	-	-	124,847
158,047	11,694	4,082	889	12,160	324,295
86,259	19	3,737	10,707	-	119,977
-	430	-	-	-	1,163,639
-	-	-	-	-	261,911
12,235	-	-	-	-	309,341
43,702	534	(1,490)	(59)	85	125,162
\$ 142,196	\$ 983	\$ 2,247	\$ 10,648	\$ 85	\$ 1,980,030
\$ 65,769	\$ 46,462	\$ 9,221	\$ 827	\$ 129	\$ 232,817
(104,341)	(2,607)	(11,599)	(1,571)	(44)	(295,574)
(38,572)	43,855	(2,378)	(744)	85	(62,757)
607	1,259	10	-	-	119,192
5,329	-	-	-	-	10,735
-	9	-	-	-	40,184
48,117	(45,107)	2,000	11,392	-	29,174
15,481	16	(368)	10,648	85	136,528
127,357	967	2,615	-	-	1,844,826
(642)	-	-	-	-	(1,324)
126,715	967	2,615	-	-	1,843,502
\$ 142,196	\$ 983	\$ 2,247	\$ 10,648	\$ 85	\$ 1,980,030

Table 27. Health Science Center Affiliates (amounts expressed in thousands)

	Florida Clinical Practice Association, Inc. 6/30/2013	University of Florida Jacksonville Physicians, Inc. 6/30/2013	Faculty Associates, Inc. 6/30/2013	Florida Veterinary Medicine Faculty Association, Inc. 6/30/2013	University of Florida Jacksonville Healthcare, Inc. 6/30/2013	Total Health Science Center Affiliates
CONDENSED STATEMENT OF NET POSITION						
Assets						
Due from Component Units/University	\$ 2,172	\$ 6,019	\$ -	\$ -	\$ 62	\$ 8,253
Other Current Assets	71,599	41,813	3,682	8,537	399	126,030
Capital Assets, Net	50,305	17,226	-	-	3,976	71,507
Other Noncurrent Assets	25,120	75	-	-	-	25,195
Total Assets	149,196	65,133	3,682	8,537	4,437	230,985
Liabilities						
Due to Component Units/University	-	2,032	-	755	2,161	4,948
Other Current Liabilities	10,069	9,420	160	44	1,907	21,600
Noncurrent Liabilities	38,827	6,737	-	-	-	45,564
Total Liabilities	48,896	18,189	160	799	4,068	72,112
Net Position						
Net Investment in Capital Assets	10,023	9,782	-	-	3,976	23,781
Unrestricted	90,277	37,162	3,522	7,738	(3,607)	135,092
Total Net Position	\$ 100,300	\$ 46,944	\$ 3,522	\$ 7,738	\$ 369	\$ 158,873
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION						
Operating Revenues	\$ 360,968	\$ 192,309	\$ 17,253	\$ 7,452	\$ 215	\$ 578,197
Operating Expenses	(103,003)	(94,401)	(256)	(367)	(29,925)	(227,952)
Operating Income (Loss)	257,965	97,908	16,997	7,085	(29,710)	350,245
Nonoperating Revenues (Expenses)						
Investment Income, Net of Expenses	371	23	2	3	-	399
Net Increase in the Fair Value of Investments	1,138	-	-	-	-	1,138
Other	(257,469)	(97,655)	(16,825)	(8,314)	29,710	(350,553)
Change in Net Position	2,005	276	174	(1,226)	-	1,229
Net Position, Beginning of Year	98,295	46,668	3,348	8,964	369	157,644
Adjustments to Beginning Net Position	-	-	-	-	-	-
Net Position, Beginning of Year, as Restated (Note 2)	98,295	46,668	3,348	8,964	369	157,644
Net Position, End of Year	\$ 100,300	\$ 46,944	\$ 3,522	\$ 7,738	\$ 369	\$ 158,873

Table 28. Shands Teaching Hospital and Others (amounts expressed in thousands)

	Shands Teaching Hospital & Clinics, Inc. 6/30/2013	Shands Jacksonville HealthCare, Inc. 6/30/2013	Total Shands Hospital and Others
CONDENSED STATEMENT OF NET POSITION			
Assets			
Due from Component Units/University	\$ 14,366	\$ -	\$ 14,366
Other Current Assets	435,788	195,832	631,620
Capital Assets, Net	705,648	170,987	876,635
Other Noncurrent Assets	495,374	66,372	561,746
Total Assets	1,651,176	433,191	2,084,367
Deferred Outflows of Resources			
Accumulated Decrease in Fair Value of Interest Rate Swap Agreements	39,425	-	39,425
Total Assets and Deferred Outflows of Resources	1,690,601	433,191	2,123,792
Liabilities			
Other Current Liabilities	178,317	109,270	287,587
Noncurrent Liabilities	641,610	158,361	799,971
Total Liabilities	819,927	267,631	1,087,558
Net Position			
Net Investment in Capital Assets	220,754	62,505	283,259
Restricted-Nonexpendable Endowment	97	-	97
Restricted-Expendable Endowment	7,357	3,887	11,244
Unrestricted	642,466	99,168	741,634
Total Net Position	\$ 870,674	\$ 165,560	\$ 1,036,234
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating Revenues	\$ 1,160,236	\$ 522,876	\$ 1,683,112
Operating Expenses	(981,098)	(504,207)	(1,485,305)
Operating Income	179,138	18,669	197,807
Nonoperating Revenues (Expenses)			
Investment Income (Loss), Net of Expenses	11,640	(6)	11,634
Net Decrease in the Fair Value of Investments	(2,509)	-	(2,509)
Other	(117,091)	(25,312)	(142,403)
Change in Net Position	71,178	(6,649)	64,529
Net Position, Beginning of Year	815,322	172,209	987,531
Adjustments to Beginning Net Position	(15,826)	-	(15,826)
Net Position, Beginning of Year, as Restated (Note 2)	799,496	172,209	971,705
Net Position, End of Year	\$ 870,674	\$ 165,560	\$ 1,036,234

Table 29. Segment Information

	Transportation and Parking Services 6/30/2013	Department of Housing and Residence Education 6/30/2013
CONDENSED STATEMENT OF NET POSITION		
Assets		
Current Assets	\$ 8,884,949	\$ 4,452,026
Capital Assets, Net	39,592,818	104,855,123
Other Noncurrent Assets	7,434,156	22,399,910
Total Assets	55,911,923	131,707,059
Liabilities		
Current Liabilities	2,896,352	10,087,257
Noncurrent Liabilities	22,458,948	67,139,555
Total Liabilities	25,355,300	77,226,812
Net Position		
Net Investment in Capital Assets	17,304,680	54,961,078
Restricted	7,122,732	1,878,535
Unrestricted	6,129,211	(2,359,366)
Total Net Position	\$ 30,556,623	\$ 54,480,247
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating Revenues (Expenses):		
Operating Revenues	\$ 21,451,438	\$ 48,678,910
Depreciation Expense	(2,343,858)	(4,648,104)
Other Operating Expenses	(16,739,884)	(37,360,146)
Operating Income	2,367,696	6,670,660
Nonoperating Revenues (Expenses):		
Investment Income	80,140	250,166
Interest on Capital Asset-Related Debt	(1,118,365)	(3,125,180)
Other	(1,036,530)	(2,723,042)
Transfers	(1,097,261)	959,656
Net Nonoperating Revenues (Expenses)	(3,172,016)	(4,638,400)
Change in Net Position	(804,320)	2,032,260
Net Position, Beginning of Year	31,360,943	52,447,987
Net Position, End of Year	\$ 30,556,623	\$ 54,480,247
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,472,594	\$ 12,104,118
Noncapital Financing Activities	(29,817)	(11,356,629)
Capital and Related Financing Activities	(4,026,646)	(14,053,016)
Investing Activities	(2,412,991)	8,181,422
Net Increase (Decrease) in Cash and Cash Equivalents	3,140	(5,124,105)
Cash and Cash Equivalents, Beginning of Year	86	8,130,212
Cash and Cash Equivalents, End of Year	\$ 3,226	\$ 3,006,107

Other Required Supplementary Information

Other Required Supplementary Information
Schedule of Funding Progress – Other Postemployment Benefits Plan (amounts expressed in thousands)

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (2) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2007	\$ -	\$ 269,126	\$ 269,126	0%	\$ 788,732	34%
7/1/2009	-	455,677	455,677	0%	948,375	48%
7/1/2011	-	643,742	643,742	0%	996,686	65%

(1) 7/1/2007 was the first year the Other Postemployment Benefit was accrued.

(2) The entry-age cost actuarial method is used by the University.

Notes to Required Supplementary Information:**Schedule of Funding Progress – Other Postemployment Benefits Plan**

The July 1, 2011, unfunded actuarial liability of \$643.7 million was significantly higher than the July 1, 2009, liability of \$455.7 million 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.

Supplemental Information

Financial Aid Administered for the Year Ended June 30, 2013 (unaudited)

	Number of Recipients	Aid Disbursed
Federal Programs		
Pell Grants	12,113	\$ 46,700,853
Supplemental Educational Opportunity Grants	2,857	2,108,018
TEACH Grant	11	32,820
Perkins Student Loans	1,333	4,043,285
Health Professions Student Loans (PCL, LDS, HPSL)	54	607,277
Direct Loans	21,400	253,274,737
TOTAL FEDERAL FINANCIAL AID ADMINISTERED	37,768	\$ 306,766,990
State Programs		
Loans:		
University of Florida Short-Term Loans	499	\$ 611,736
Student Aid For Education (SAFE) Loans	89	200,648
University of Florida Long-Term Loans	139	523,969
Total Loans Administered	727	1,336,353
Scholarships and Grants:		
State of Florida Financial Aid Program	29,483	65,057,509
Lottery Trust Grant Funded Waivers	382	1,418,933
Total State Scholarships and Grants Administered	29,865	66,476,442
TOTAL STATE FINANCIAL AID ADMINISTERED	30,592	\$ 67,812,795
Other Scholarships and Grants		
Institutional Grants:		
College Awarded Scholarships	12,827	\$ 39,998,528
Graduate Tuition Remission Waivers	2,995	20,715,149
General Scholarships	8,397	20,126,241
Total Institutional Scholarships and Grants	24,219	80,839,918
Custodial Scholarships:		
Tuition, Trusts, Clubs, Service Organizations, etc.	4,599	10,091,000
TOTAL OTHER SCHOLARSHIPS AND GRANTS	28,818	\$ 90,930,918
Fee Waivers		
Non-Resident Tuition Waivers	439	\$ 5,151,528
Other Waivers	5,529	37,307,170
TOTAL FEE WAIVERS ADMINISTERED	5,968	\$ 42,458,698
TOTAL FINANCIAL AID ADMINISTERED		\$ 507,969,401



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of 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, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 20, 2013, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to University management in our operational audit report No. 2014-044.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
December 20, 2013
Audit Report No. 2014-070

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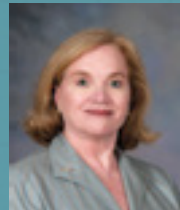
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Michael V. McKee
Assistant Vice President and University Controller
Post Office Box 113200
Tigert Hall, Room 207
Gainesville, FL 32611-3200
mckee@ufl.edu