

UNIVERSITY OF WEST FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2013



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2012-13 fiscal year are listed below:

Lewis Bear, Jr., Vice Chair to 12-13-12,
Chair from 12-14-12
John "Mort" O'Sullivan, Vice Chair from 12-14-12
General Charles A. Horner, Retired, Chair to 12-13-12,
to 1-16-13 (1)
David E. Cleveland
Dr. Pamela J. Dana
Christopher Hill from 4-13-13 (2)
Robert L. Jones
Suzanne Lewis from 1-17-13
Rev. LuTimothy May from 4-15-13
J. Collier Merrill to 4-14-13 (1)
Cora Merritt to 4-12-13 (2)
Susan K. O'Connor
Jayprakash "Jay" S. Patel
Dr. Chris Pomory (3)
Bentina C. Terry
Garrett W. Walton

Dr. Judith A. Bense, President

Notes: (1) Board member served beyond the end of
term, January 6, 2013.
(2) Student body president.
(3) Faculty Senate Chair.

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

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

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

UNIVERSITY OF WEST FLORIDA
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position.....	14
Statement of Cash Flows	15
Notes to Financial Statements	17
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	36
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	37
Report on the Financial Statements	37
Internal Control Over Financial Reporting.....	37
Compliance and Other Matters.....	38
Purpose of this Report.....	38

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2014-092.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
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 West Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 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 aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 24, 2014

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 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. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2013, and June 30, 2012.

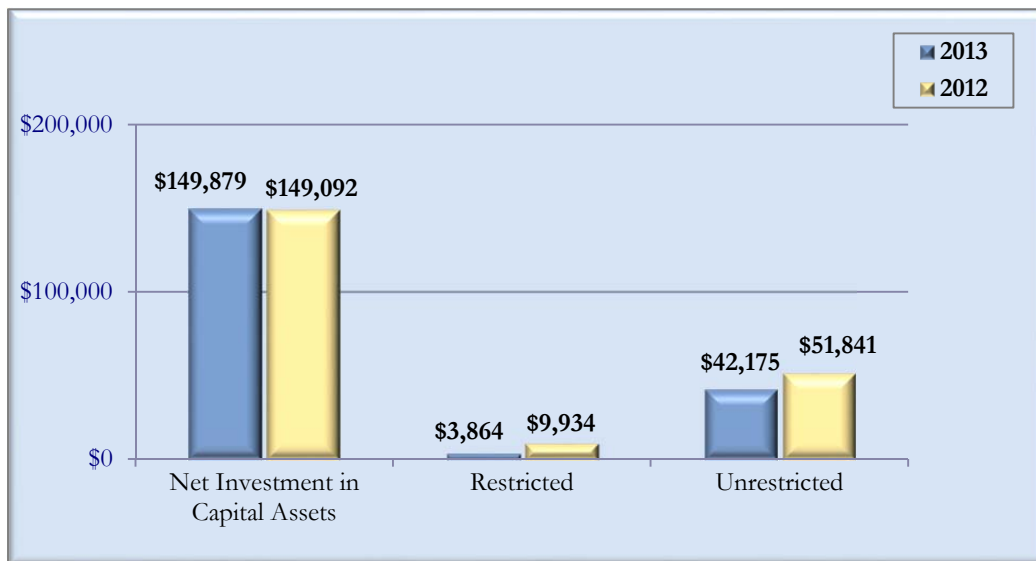
FINANCIAL HIGHLIGHTS

The University’s assets totaled \$245.7 million at June 30, 2013. This balance reflects a \$5.5 million, or 2.3 percent, increase as compared to the 2011-12 fiscal year, resulting primarily from an influx of funds received under a grant from the State Economic Development Initiative in advance of the completion of performance criteria. The unearned revenue associated with this grant is the leading cause of an increase in liabilities over the preceding fiscal year of \$20.4 million, or 69.5 percent, with liabilities totaling \$49.8 million at June 30, 2013, as compared to \$29.4 million at June 30, 2012. As total liabilities increased significantly more than total assets, the University’s net position decreased by \$14.9 million, resulting in a fiscal year-end balance of \$195.9 million.

The University’s operating revenues totaled \$84.4 million for the 2012-13 fiscal year, representing an 18.2 percent increase over the 2011-12 fiscal year due mainly to increases in tuition and fees and in enrollment. Operating expenses totaled \$172.2 million for the 2012-13 fiscal year, representing an increase of 4.9 percent over the 2011-12 fiscal year, due mainly to increases in employee compensation and benefits.

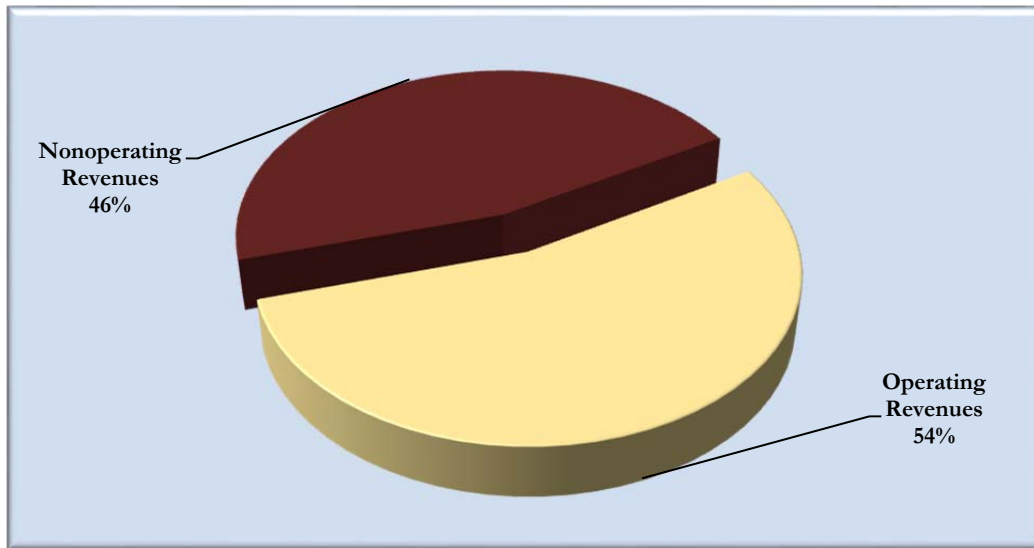
Net position represents the residual interest in the University’s assets after deducting liabilities. The University’s comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

**Net Position
(In Thousands)**



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

Total Revenues



OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

THE STATEMENT OF NET POSITION

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

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

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

	2013	2012
Assets		
Current Assets	\$ 91,370	\$ 85,709
Capital Assets, Net	149,879	149,092
Other Noncurrent Assets	4,460	5,448
Total Assets	245,709	240,249
Liabilities		
Current Liabilities	10,903	10,379
Noncurrent Liabilities	38,888	19,003
Total Liabilities	49,791	29,382
Net Position		
Net Investment in Capital Assets	149,879	149,092
Restricted	3,864	9,934
Unrestricted	42,175	51,841
Total Net Position	\$ 195,918	\$ 210,867

The increase in current assets is primarily due to an influx of funds received under a grant from the State Economic Development Initiative in advance of the completion of performance criteria. This increase was partially offset by a significant decrease in the amount due from the State that resulted primarily from a decline in State capital appropriations awarded. The increase in long-term unearned revenue associated with the grant noted above and the continuing increase in the estimated costs to provide other postemployment benefits account for the majority of the increase in noncurrent liabilities. As a result of these occurrences, restricted and unrestricted net position experienced declines.

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

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

The following summarizes the University's activity for the 2012-13 and 2011-12 fiscal years:

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

	2012-13	2011-12
Operating Revenues	\$ 84,358	\$ 71,398
Less, Operating Expenses	172,193	164,220
Operating Loss	(87,835)	(92,822)
Net Nonoperating Revenues	72,639	75,861
Loss Before Other Revenues, Expenses, Gains, or Losses	(15,196)	(16,961)
Other Revenues	247	2,374
Net Decrease In Net Position	(14,949)	(14,587)
Net Position, Beginning of Year	210,867	225,454
Net Position, End of Year	\$ 195,918	\$ 210,867

Operating Revenues

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

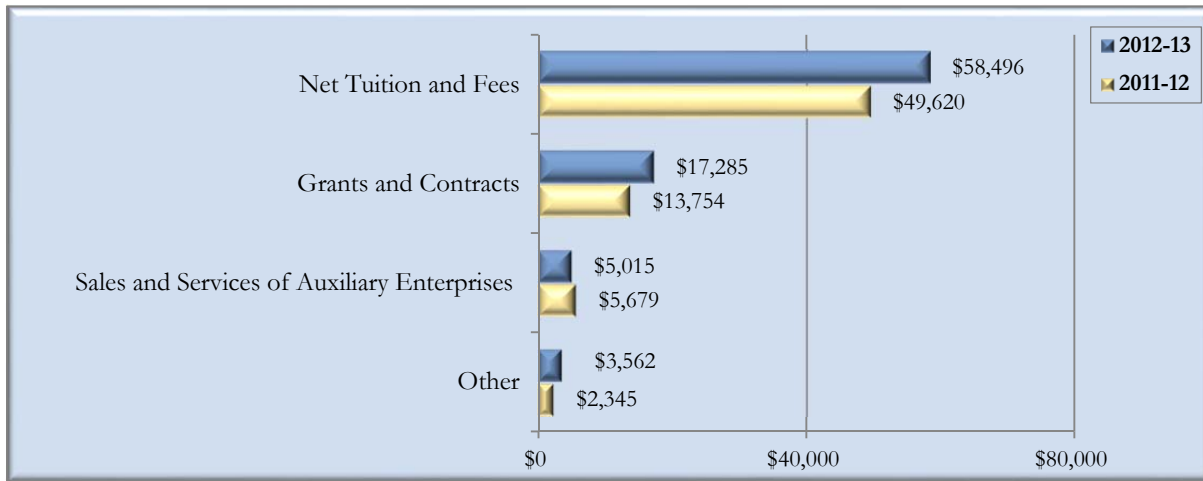
The following summarizes the operating revenues by source that were used to fund operating activities for the 2012-13 and 2011-12 fiscal years:

**Operating Revenues
(In Thousands)**

	2012-13	2011-12
Net Tuition and Fees	\$ 58,496	\$ 49,620
Grants and Contracts	17,285	13,754
Sales and Services of Auxiliary Enterprises	5,015	5,679
Other	3,562	2,345
Total Operating Revenues	\$ 84,358	\$ 71,398

The following chart presents the University’s operating revenues for the 2012-13 and 2011-12 fiscal years:

**Operating Revenues
(In Thousands)**



Total operating revenues for the 2012-13 fiscal year were \$84.4 million, of which \$58.5 million was from net tuition and fees. Tuition allowances, which represent the difference between the stated charges for goods and services provided by the University and the amount that is actually paid by a student or third party making payment on behalf of the student, totaled \$19.9 million, and are deducted from gross tuition and fees of \$78.4 million to arrive at net tuition and fees. Net tuition and fees was \$58.5 million for the 2012-13 fiscal year, which represents an increase of \$8.9 million, or 17.9 percent, over the 2011-12 fiscal year. This increase was due to increased student enrollment and higher tuition and fee rates. The increase in contracts and grants revenue of \$3.5 million, or 25.7 percent, was due largely to revenue earned under new grant awards in the areas of State Economic Development Initiatives, Hurricane Mitigation Construction, and Mental and Behavioral Health.

Operating Expenses

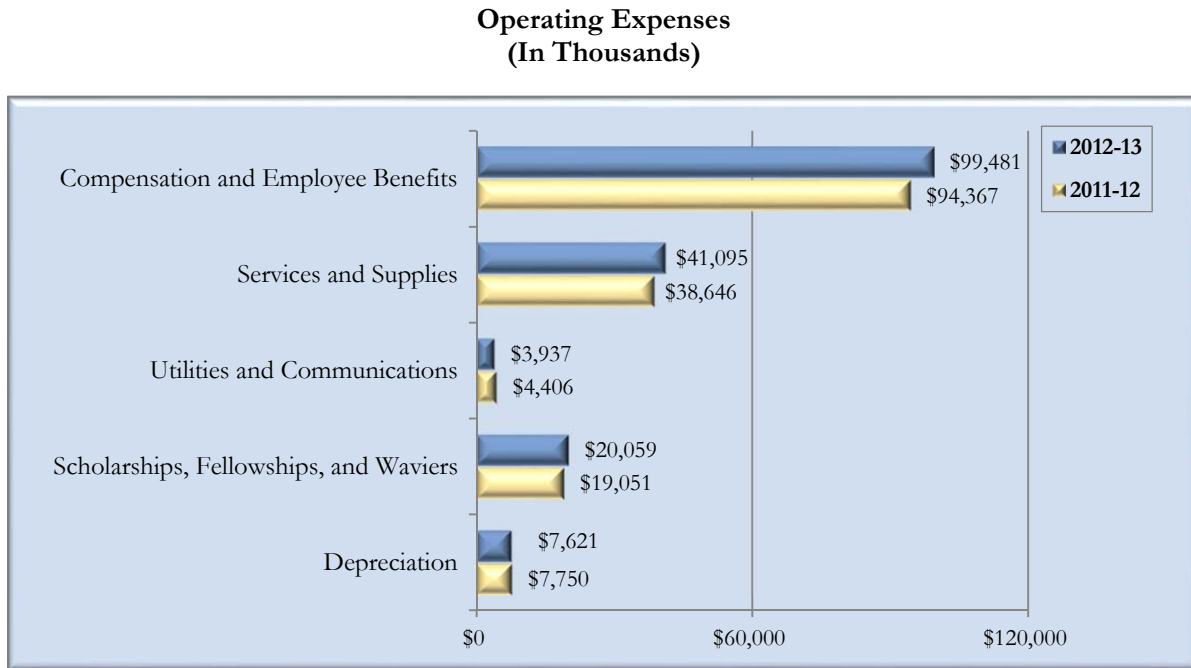
Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2012-13 and 2011-12 fiscal years:

**Operating Expenses
(In Thousands)**

	2012-13	2011-12
Compensation and Employee Benefits	\$ 99,481	\$ 94,367
Services and Supplies	41,095	38,646
Utilities and Communications	3,937	4,406
Scholarships, Fellowships, and Waivers	20,059	19,051
Depreciation	7,621	7,750
Total Operating Expenses	\$ 172,193	\$ 164,220

The following chart presents the University’s operating expenses for the 2012-13 and 2011-12 fiscal years:



The \$5.1 million increase in compensation and employee benefits was the result of a \$2.7 million increase in the liability for other postemployment benefits payable and a 2 percent salary increase provided to University faculty and staff in April 2012. Services and supplies increased due, in part, to increased expenses associated with new grant awards and consulting services associated with the implementation of a new student system and student recruitment efforts. These increases were partially offset by a reduction in expenses associated with noncapitalized Public Education Capital Outlay funded construction projects.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include investment losses. The following summarizes the University’s nonoperating revenues and expenses for the 2012-13 and 2011-12 fiscal years:

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

	2012-13	2011-12
State Noncapital Appropriations	\$ 44,860	\$ 52,917
Federal and State Student Financial Aid	25,169	24,029
Noncapital Grants, Contracts, and Gifts	2,718	2,255
Investment Income (Loss)	(112)	2,021
Other Nonoperating Revenues	60	95
Loss on Disposal of Capital Assets	(56)	(139)
Other Nonoperating Expenses		(5,317)
Net Nonoperating Revenues	\$ 72,639	\$ 75,861

The University’s State noncapital appropriations decreased by \$8.1 million due to a reduction in such funding from the State. Investment income decreased by \$2.1 million primarily due to a decline in the fair market value of the University’s investments in the State Treasury Special Purpose Investment Account. The \$5.3 million in other nonoperating expenses in the 2011-12 fiscal year was due to the removal of capital assets costing between \$1,000 and \$4,999 as a result of a change in the University’s capitalization threshold.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University’s other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

Other Revenues, Expenses, Gains, or Losses		
(In Thousands)		
	<u>2012-13</u>	<u>2011-12</u>
State Capital Appropriations	\$ 198	\$ 2,163
Capital Grants, Contracts, Donations, and Fees	49	211
Total	<u>\$ 247</u>	<u>\$ 2,374</u>

The \$2 million decrease in capital appropriations resulted from the reduction in State funding for construction projects.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University’s financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University’s ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2012-13 and 2011-12 fiscal years:

Condensed Statement of Cash Flows		
(In Thousands)		
	<u>2012-13</u>	<u>2011-12</u>
Cash Provided (Used) by:		
Operating Activities	\$ (59,124)	\$ (80,057)
Noncapital Financing Activities	72,656	79,548
Capital and Related Financing Activities	(5,146)	(490)
Investing Activities	<u>(8,476)</u>	<u>(2,900)</u>
Net Decrease in Cash and Cash Equivalents	(90)	(3,899)
Cash and Cash Equivalents, Beginning of Year	<u>4,166</u>	<u>8,065</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,076</u>	<u>\$ 4,166</u>

Major sources of funds came from net student tuition and fees (\$59.3 million), Federal direct student loans (\$54.8 million), State noncapital appropriations (\$44.9 million), grants and contracts (\$34.6 million), and Federal and

State student financial aid (\$25.2 million). Major uses of funds were for payments made to and on behalf of employees totaling \$96.5 million, disbursements to students for Federal direct student loans totaling \$54.8 million, payments to suppliers totaling \$44.7 million, and payments to and on behalf of students for scholarships totaling \$20.1 million.

An \$11.1 million increase in cash provided by tuition and fees and an \$18.5 million increase in cash received under grants and contracts were the primary contributors to the significant decrease in net cash used by operating activities. The decrease in net cash provided by noncapital financing activities and the net increase in cash used by capital and related financing activities were attributable primarily to the decrease in State noncapital appropriations and State capital appropriations, respectively. As a result of the above, net cash used by investing activities increased when compared to the 2011-12 fiscal year.

CAPITAL ASSETS AND CAPITAL EXPENSES AND COMMITMENTS

CAPITAL ASSETS

At June 30, 2013, the University had \$282.7 million in capital assets, less accumulated depreciation of \$132.8 million, for net capital assets of \$149.9 million. Depreciation charges for the 2012-13 fiscal year totaled \$7.6 million. The following table summarizes the University’s capital assets, net of accumulated depreciation, at June 30:

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

	2013	2012
Land	\$ 9,606	\$ 9,606
Works of Art and Historical Treasures	10,886	10,798
Construction in Progress	648	10,539
Buildings	103,035	91,508
Infrastructure and Other Improvements	13,458	14,498
Furniture and Equipment	8,727	7,682
Library Resources	3,485	4,377
Leasehold Improvements	1	3
Computer Software	33	81
Capital Assets, Net	\$ 149,879	\$ 149,092

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses during the 2012-13 fiscal year were incurred on the College of Business Education Center project which was substantially completed at June 30, 2013. The University’s construction commitments at June 30, 2013, are as follows:

	Amount (In Thousands)
Total Committed	\$ 4,144
Completed to Date	<u>(648)</u>
Balance Committed	<u>\$ 3,496</u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. Because of an improving economic outlook, an increase in State funding is expected to be received in the 2013-14 fiscal year. As a result, the increase in tuition rates for the 2013-14 fiscal year has been capped at a percentage approximating inflation. Management continues to monitor the economic health of the State closely and is committed to meeting economic challenges through cost saving measures and increases in alternate revenue sources.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2013

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,456,972	\$ 6,582,497
Investments	79,599,790	429,719
Accounts Receivable, Net	5,835,985	2,834,699
Loans and Notes Receivable, Net	31,350	60,813
Due from State	3,445,832	
Due from University		297,440
Inventories		163,981
Other Current Assets		135,206
Total Current Assets	<u>91,369,929</u>	<u>10,504,355</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,618,622	11,570,338
Restricted Investments		62,103,216
Loans and Notes Receivable, Net	2,841,520	
Depreciable Capital Assets, Net	128,739,106	58,862,574
Nondepreciable Capital Assets	21,139,855	3,218,169
Other Noncurrent Assets		1,401,364
Total Noncurrent Assets	<u>154,339,103</u>	<u>137,155,661</u>
TOTAL ASSETS	<u>245,709,032</u>	<u>147,660,016</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,576,279	1,159,781
Construction Contracts Payable	58,064	
Salaries and Wages Payable	1,881,886	
Deposits Payable	968,765	28,154
Due to Component Units	297,440	
Unearned Revenue	2,539,268	781,647
Other Current Liabilities	43,366	
Long-Term Liabilities - Current Portion:		
Bonds Payable		1,976,000
Loans and Notes Payable		38,148
Capital Lease Payable		2,415
Unearned Revenue	500,000	254,542
Compensated Absences Payable	1,037,816	
Total Current Liabilities	<u>10,902,884</u>	<u>4,240,687</u>

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2013

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$	\$ 53,198,768
Loans and Notes Payable		1,025,199
Unearned Revenue	16,945,000	2,149,500
Compensated Absences Payable	10,588,024	290,866
Other Postemployment Benefits Payable	9,844,000	
Other Noncurrent Liabilities	1,511,077	202,782
	38,888,101	56,867,115
Total Noncurrent Liabilities		
	49,790,985	61,107,802
TOTAL LIABILITIES		
NET POSITION		
Net Investment in Capital Assets	149,878,961	5,160,851
Restricted for Nonexpendable:		
Endowment		47,755,412
Restricted for Expendable:		
Loans	1,928,072	
Capital Projects	873,946	
Other	1,062,142	20,537,101
Unrestricted	42,174,926	13,098,850
	\$ 195,918,047	\$ 86,552,214
TOTAL NET POSITION		

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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$19,940,945	\$ 58,495,629	\$
Federal Grants and Contracts	14,102,701	
State and Local Grants and Contracts	3,182,566	
Sales and Services of Auxiliary Enterprises	5,015,067	
Sales and Services of Component Units		2,455,218
Gifts and Donations		2,360,192
Interest on Loans and Notes Receivable	33,468	
Other Operating Revenues	3,528,467	11,992,559
	84,357,898	16,807,969
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	99,480,413	2,902,378
Services and Supplies	41,095,310	5,846,636
Utilities and Communications	3,936,465	1,512,535
Scholarships, Fellowships, and Waivers	20,059,307	58,891
Depreciation	7,621,357	2,869,966
	172,192,852	13,190,406
Operating Income (Loss)	(87,834,954)	3,617,563
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	44,859,126	
Federal and State Student Financial Aid	25,168,670	
Noncapital Grants, Contracts, and Gifts	2,718,400	
Investment Income (Loss)	(111,520)	8,083,076
Other Nonoperating Revenues	59,584	
Gain (Loss) on Disposal of Capital Assets	(55,726)	40,427
Interest on Capital Asset-Related Debt		(2,673,387)
Other Nonoperating Expenses		(3,818,980)
	72,638,534	1,631,136
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(15,196,420)	5,248,699
State Capital Appropriations	198,100	
Capital Grants, Contracts, Donations, and Fees	49,101	
Additions to Permanent Endowments		801,561
	(14,949,219)	6,050,260
Increase (Decrease) in Net Position	(14,949,219)	6,050,260
Net Position, Beginning of Year	210,867,266	80,501,954
	\$ 195,918,047	\$ 86,552,214

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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 59,342,647
Grants and Contracts	34,623,929
Sales and Services of Auxiliary Enterprises	4,995,067
Interest on Loans and Notes Receivable	42,035
Payments to Employees	(96,455,337)
Payments to Suppliers for Goods and Services	(44,738,443)
Payments to Students for Scholarships and Fellowships	(20,059,307)
Loans Issued to Students	(342,492)
Collection on Loans to Students	415,311
Other Operating Receipts	3,053,025
	(59,123,565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	44,859,126
Federal and State Student Financial Aid	25,168,670
Noncapital Grants, Contracts, and Donations	2,718,400
Federal Direct Loan Program Receipts	54,754,118
Federal Direct Loan Program Disbursements	(54,754,118)
Net Change in Funds Held for Others	(120,868)
Other Nonoperating Receipts	59,584
Other Nonoperating Disbursements	(28,979)
	72,655,933
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	4,428,088
Capital Grants, Contracts, Donations, and Fees	49,101
Purchase or Construction of Capital Assets	(9,623,202)
	(5,146,013)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(101,086,828)
Proceeds from Sales and Maturities of Investments	91,354,130
Investment Income	1,256,238
	(8,476,460)
Net Decrease in Cash and Cash Equivalents	(90,105)
Cash and Cash Equivalents, Beginning of Year	4,165,699
Cash and Cash Equivalents, End of Year	\$ 4,075,594

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2013**

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (87,834,954)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,621,357
Change in Assets and Liabilities:	
Receivables, Net	(596,100)
Accounts Payable	30,406
Salaries and Wages Payable	(12,046)
Deposits Payable	(112,329)
Other Current Liabilities	275
Compensated Absences Payable	372,122
Unearned Revenue	18,742,704
Other Postemployment Benefits Payable	2,665,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (59,123,565)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (1,283,743)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (55,726)

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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

- The University of West Florida Foundation, Inc., provides funding and services to support and foster the pursuit of higher education at the University and operates solely for the benefit of the University and its mission of teaching, research, and service. The Foundation serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. The Foundation does not serve any private causes, but generally benefits the public.
- The West Florida Historic Preservation, Inc., was established to engage in the restoration and exhibition of historical landmarks in the Pensacola, Florida vicinity. This organization conducts certain activities and programs that assist and promote the purposes of the University.

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

- UWF Business Enterprises, Inc., was established to receive, hold, develop, provide, maintain, and administer property and to make expenditures to or for the exclusive benefit of the University or a research and development park or research and development authority of or affiliated with the University and to promote, encourage, and provide assistance to the research activities of faculty, staff, and students of the University of West Florida.

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

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

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

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

The University's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The University of West Florida Foundation, Inc., follows FASB standards of accounting and financial reporting for

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

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

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

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

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

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

Capital Assets. University capital assets consist of land; works of art and historical treasures; construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; leasehold improvements; and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for new buildings and for building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

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

Capital assets of UWF Business Enterprises, Inc. (BEI), consist of land, buildings, golf course improvements, equipment, furniture and fixtures, exterior signage, and construction in progress. Assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of donations. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. BEI has a capitalization threshold of \$50,000 for buildings, building improvements, infrastructure, infrastructure improvements, and leasehold improvements and a \$5,000 capitalization threshold for tangible personal property. Depreciation is calculated on the straight-line basis over 40 years for buildings, 20 years for golf course improvements, 5 to 10 years for equipment, and 7 years for furniture and fixtures and exterior signage.

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

2. **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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law.

The University's investments at June 30, 2013, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$65,503,471
SBA Florida PRIME	14,092,453
SBA Fund B Surplus Funds Trust Fund	<u>3,866</u>
Total University Investments	<u>\$ 79,599,790</u>

External Investment Pools

The University reported investments at fair value totaling \$65,503,471 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 & Poor's, had an effective duration of 2.65 years, and had a fair value factor of 0.9975 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 financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2013, the University reported investments totaling \$14,092,453 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University's investments, at June 30, 2013, in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the 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.

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

State Board of Administration Fund B Surplus Funds Trust Fund

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

At June 30, 2013, the University reported investments at fair value of \$3,866 in Fund B. The University's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. The weighted-average life (WAL) of Fund B at June 30, 2013, was 3.98 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2013. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

Component Units Investments

Investments held by the University of West Florida Foundation, Inc., and the West Florida Historic Preservation, Inc., at June 30, 2013, are reported at carrying value, which approximates fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Equity Securities:	
Common Stock and Mutual Funds	\$ 35,485,039
Debt Securities	10,047,815
Alternative Investments:	
Fund of Fund Hedge Funds	13,744,979
Private Equity Investments	1,404,859
Real Estate Investment Trust	987,476
Cash Surrender Insurance	81,287
Funds Held in Trust	310,263
Property Held for Investment	41,498
Certificates of Deposit	429,719
Total Component Units Investments	<u>\$ 62,532,935</u>

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

3. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2013, the University reported the following amounts as accounts receivable:

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Description	Amount
Contracts and Grants	\$ 3,721,454
Student Tuition and Fees	1,186,403
Other	2,446,596
Gross Accounts Receivable	7,354,453
Less Allowance for Doubtful Accounts	(1,518,468)
Net Accounts Receivable	\$ 5,835,985

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

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

4. DUE FROM STATE

This amount consists of Public Education Capital Outlay funds due from the State to the University for construction of University facilities.

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 9,605,539	\$	\$	\$ 9,605,539
Works of Art and Historical Treasures	10,797,976	88,120		10,886,096
Construction in Progress	10,538,800	2,061,625	11,952,205	648,220
Total Nondepreciable Capital Assets	\$ 30,942,315	\$ 2,149,745	\$ 11,952,205	\$ 21,139,855
Depreciable Capital Assets:				
Buildings	\$ 158,520,430	\$ 15,262,574	\$	\$ 173,783,004
Infrastructure and Other Improvements	28,980,269	13,200		28,993,469
Furniture and Equipment	24,495,481	2,973,920	870,518	26,598,883
Library Resources	30,598,819	1,427	507,177	30,093,069
Leasehold Improvements	59,403			59,403
Computer Software	2,038,309	38	26,248	2,012,099
Total Depreciable Capital Assets	244,692,711	18,251,159	1,403,943	261,539,927
Less, Accumulated Depreciation:				
Buildings	67,012,716	3,735,027		70,747,743
Infrastructure and Other Improvements	14,482,008	1,053,119		15,535,127
Furniture and Equipment	16,812,993	1,888,984	830,402	17,871,575
Library Resources	26,221,802	893,251	507,177	26,607,876
Leasehold Improvements	56,511	2,290		58,801
Computer Software	1,957,262	48,686	26,249	1,979,699
Total Accumulated Depreciation	126,543,292	7,621,357	1,363,828	132,800,821
Total Depreciable Capital Assets, Net	\$ 118,149,419	\$ 10,629,802	\$ 40,115	\$ 128,739,106

6. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2013, include compensated absences payable, other postemployment benefits payable, unearned revenues, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned Revenue	\$	\$ 17,445,000	\$	\$ 17,445,000	\$ 500,000
Compensated Absences Payable	11,253,718	1,519,465	1,147,343	11,625,840	1,037,816
Other Postemployment Benefits Payable	7,179,000	3,496,000	831,000	9,844,000	
Other Noncurrent Liabilities	1,536,278		25,201	1,511,077	
Total Long-Term Liabilities	\$ 19,968,996	\$ 22,460,465	\$ 2,003,544	\$ 40,425,917	\$ 1,537,816

Unearned Revenue. Long-term unearned revenue represents funds received but not yet earned under a grant from the State Economic Development Initiative. Total long-term unearned revenue at June 30, 2013, amounted to \$17,445,000, with \$500,000 expected to be earned during the 2013-14 fiscal year.

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

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2013, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$11,625,840. The current portion of the compensated absences liability, \$1,037,816, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 214 retirees received postemployment healthcare benefits. The University provided required contributions of \$831,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,144,000, which represents 1.8 percent of covered payroll.

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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 2,046,000
Amortization of Unfunded Actuarial Accrued Liability	1,279,000
Interest on Normal Cost and Amortization	<u>133,000</u>
Annual Required Contribution	3,458,000
Interest on Net OPEB Obligation	287,000
Adjustment to Annual Required Contribution	<u>(249,000)</u>
Annual OPEB Cost (Expense)	3,496,000
Contribution Toward the OPEB Cost	<u>(831,000)</u>
Increase in Net OPEB Obligation	2,665,000
Net OPEB Obligation, Beginning of Year	<u>7,179,000</u>
Net OPEB Obligation, End of Year	<u><u>\$ 9,844,000</u></u>

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 fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010-11	\$ 2,168,000	34.0%	\$ 4,462,000
2011-12	3,507,000	22.5%	7,179,000
2012-13	3,496,000	23.8%	9,844,000

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$37,956,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$37,956,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$62,559,227 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 60.7 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

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 2012-13 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 8.29 percent, 9.16 percent, and 8.13 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 10.43 percent, 4.92 percent, and 8.80 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.5 percent in the fourth year grading identically to 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013, was 24 years.

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

Bonds Payable – Component Units. A summary of the component units’ bonds payable as of June 30, 2013, is shown in the following table:

Bond Type and Series	Amount of Original Issue	Amount Outstanding	Interest Rates (Percent)
Revenue Bonds:			
Dormitory Revenue Bonds:			
2009	\$ 15,000,000	\$ 13,463,000	5.09
2011	16,525,000	16,225,000	3.00 - 5.875
Dormitory Refunding Revenue Bonds:			
2005	18,290,000	15,465,000	3.75 - 5.00
2010	11,717,000	10,274,000	3.95
Subtotal	61,532,000	\$ 55,427,000	
Less: Net Discounts		(252,232)	
Total Revenue Bonds	\$ 61,532,000	\$ 55,174,768	

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

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 1,976,000	\$ 2,676,495	\$ 4,652,495
2015	2,056,000	2,595,824	4,651,824
2016	2,143,000	2,510,576	4,653,576
2017	2,236,000	2,421,631	4,657,631
2018	2,325,000	2,326,206	4,651,206
2019-2023	13,288,000	9,985,784	23,273,784
2024-2028	16,663,000	6,636,435	23,299,435
2029-2033	8,085,000	2,984,490	11,069,490
2034-2038	4,475,000	1,459,056	5,934,056
2039-2040	2,180,000	193,875	2,373,875
Subtotal	55,427,000	33,790,372	89,217,372
Net Discounts	(252,232)		(252,232)
Total	\$ 55,174,768	\$ 33,790,372	\$ 88,965,140

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

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

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

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

The bonds are secured by mortgages on the student housing facilities in addition to a pledge of revenues earned from their operation. The bonds require the Foundation to maintain various covenants, including one that requires student housing room rates to be maintained at a level that provides net revenues at least equal to 120 percent of annual debt service. The debt service ratio for the year ended June 30, 2013, was 141 percent. The Foundation is not aware of any violation of the covenants at June 30, 2013.

7. RETIREMENT PROGRAMS

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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

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

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Florida Retirement System, Special Risk	3.00	14.90
Teachers Retirement System, Plan E	6.25	11.35
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 include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment
(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The University’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University’s contributions including employee contributions for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$3,250,975, \$2,129,867, and \$2,302,066, respectively, which were equal to the required contributions for each fiscal year.

There were 132 University participants in the Investment Plan during the 2012-13 fiscal year. The University’s contributions, including employee contributions, to the Investment Plan, totaled \$384,970, which was equal to the required contribution for the 2012-13 fiscal year.

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

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in 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 percent of the participant’s salary, less a small amount used to cover administrative

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

costs and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 493 University participants during the 2012-13 fiscal year. The University’s contributions to the Program totaled \$1,631,439, and employee contributions totaled \$1,680,620 for the 2012-13 fiscal year.

8. CONSTRUCTION COMMITMENTS

The University’s construction commitments at June 30, 2013, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Tennis Courts	\$ 1,117,311	\$ 192	\$ 1,117,119
Recreation Field Improvements	1,000,000	6,948	993,052
Subtotal	2,117,311	7,140	2,110,171
Other Projects (1)	2,026,701	641,080	1,385,621
Total	\$ 4,144,012	\$ 648,220	\$ 3,495,792

Note: (1) Other individual projects with current balance committed of less than \$1 million at June 30, 2013.

9. RISK MANAGEMENT PROGRAMS

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

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State’s risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State’s group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

10. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 51,635,974
Research	2,354,370
Public Services	16,175,027
Academic Support	20,505,141
Student Services	10,697,988
Institutional Support	20,113,871
Operation and Maintenance of Plant	10,149,615
Scholarships, Fellowships, and Waivers	20,059,307
Depreciation	7,621,357
Auxiliary Enterprises	12,880,202
Total Operating Expenses	<u><u>\$ 172,192,852</u></u>

11. DISCRETELY PRESENTED COMPONENT UNITS

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

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Condensed Statement of Net Position

	University of West Florida Foundation, Inc. 6-30-13	West Florida Historic Preservation, Inc. 6-30-13	UWF Business Enterprises, Inc. 6-30-13	Total
Assets:				
Current Assets	\$ 6,872,637	\$ 2,306,231	\$ 1,325,487	\$ 10,504,355
Capital Assets, Net	55,854,130	3,681,932	2,544,681	62,080,743
Other Noncurrent Assets	75,054,077	684	20,157	75,074,918
Total Assets	137,780,844	5,988,847	3,890,325	147,660,016
Liabilities:				
Current Liabilities	2,858,932	344,801	1,036,954	4,240,687
Noncurrent Liabilities	53,692,416		3,174,699	56,867,115
Total Liabilities	56,551,348	344,801	4,211,653	61,107,802
Net Position:				
Net Investment in Capital Assets		3,681,932	1,478,919	5,160,851
Restricted Nonexpendable	47,755,412			47,755,412
Restricted Expendable	20,377,939	159,162		20,537,101
Unrestricted	13,096,145	1,802,952	(1,800,247)	13,098,850
Total Net Position	\$ 81,229,496	\$ 5,644,046	\$ (321,328)	\$ 86,552,214

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

	University of West Florida Foundation, Inc. 6-30-13	West Florida Historic Preservation, Inc. 6-30-13	UWF Business Enterprises, Inc. 6-30-13	Total
Operating Revenues	\$ 13,820,720	\$ 670,421	\$ 2,316,828	\$ 16,807,969
Operating Expenses	(10,650,268)	(665,207)	(1,874,931)	(13,190,406)
Operating Income	3,170,452	5,214	441,897	3,617,563
Net Nonoperating Revenues (Expenses)				
Nonoperating Revenues	8,080,366	2,710	40,427	8,123,503
Other Nonoperating Expenses	(5,469,901)		(1,022,466)	(6,492,367)
Net Nonoperating Revenues (Expenses)	2,610,465	2,710	(982,039)	1,631,136
Other Revenues, Expenses, Gains, and Losses	801,561			801,561
Increase (Decrease) in Net Position	6,582,478	7,924	(540,142)	6,050,260
Net Position, Beginning of Year	74,647,018	5,636,122	218,814	80,501,954
Net Position, End of Year	\$ 81,229,496	\$ 5,644,046	\$ (321,328)	\$ 86,552,214

**UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

12. CURRENT UNRESTRICTED FUNDS

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

Statement of Current Unrestricted Funds Net Position

Assets

Current Assets:

Cash and Cash Equivalents	\$ 2,456,972
Investments	62,021,595
Receivables, Net	1,528,147
Due from Other Funds	<u>1,863,880</u>

Total Assets

67,870,594

Liabilities

Current Liabilities:

Accounts Payable	2,123,498
Salary and Wages Payable	1,881,886
Deposits Payable	220,444
Compensated Absences Payable	<u>1,037,816</u>

Total Current Liabilities

5,263,644

Noncurrent Liabilities:

Compensated Absences Payable	10,588,024
Other Postemployment Benefits Payable	<u>9,844,000</u>

Total Noncurrent Liabilities

20,432,024

Total Liabilities

25,695,668

Total Net Position

\$ 42,174,926

UNIVERSITY OF WEST FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

Revenues

Operating Revenues:

Student Tuition and Fees (1)	\$ 78,436,574
Sales and Services of Auxiliary Enterprises	5,015,067
Other Operating Revenues	<u>1,021,436</u>

Total Operating Revenues 84,473,077

Expenses

Operating Expenses:

Compensation and Employee Benefits	92,982,312
Services and Supplies	27,709,293
Utilities and Communications	3,890,002
Scholarships and Fellowships	<u>13,222,779</u>

Total Operating Expenses 137,804,386

Operating Loss (53,331,309)

Nonoperating Revenues (Expenses)

State Noncapital Appropriations	44,859,126
Investment Loss	(66,236)
Other Nonoperating Revenues	<u>59,584</u>

Net Nonoperating Revenues 44,852,474

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

Transfers to Other Funds (1,187,361)

Decrease in Net Position (9,666,196)

Net Position, Beginning of Year 51,841,122

Net Position, End of Year \$ 42,174,926

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

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

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

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



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 West Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 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 March 24, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to University management in our operational audit report No. 2014-092.

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
March 24, 2014