

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

UNIVERSITY OF WEST FLORIDA

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Judith A. Bense served as President and the following individuals served as Members of the Board of Trustees:

Lewis Bear Jr., Chair	Suzanne Lewis
John M. "Mort" O'Sullivan, Vice Chair	Rev. LuTimothy May
David E. Cleveland	Daniel McBurney from 4-10-15 ^a
Dr. Pamela J. Dana	Susan K. O'Connor
Ethan B. Friedland to 3-20-15 ^a	Jayprakash "Jay" S. Patel
Dr. Richard M. Hough ^b	Bentina C. Terry
Robert L. Jones	Garrett W. Walton

Notes: ^a Student Body President. Position vacant from 3-21-15 to 4-9-15.

^b 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 team leader was Barbara J. Sturdivant, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

Please address inquiries regarding this report to Jaime Hoelscher, CPA, Audit Supervisor, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

This report and other reports prepared by the Auditor General are available at:

www.myflorida.com/audgen

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

UNIVERSITY OF WEST FLORIDA
TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	20
Notes to Financial Statements	22
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	46
Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	46
Schedule of University Contributions – Florida Retirement System Pension Plan	47
Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan.....	47
Schedule of University Contributions – Health Insurance Subsidy Pension Plan	48
Notes to Required Supplementary Information	48
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	
Internal Control Over Financial Reporting	49
Compliance and Other Matters	50
Purpose of this Report	50

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the University of West Florida (a component unit of the State of Florida) 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, 2015. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
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, 2015, 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, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those 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 solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of West Florida and of its aggregate discretely presented component units as of June 30, 2015, 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.

Emphasis of Matters

As discussed in Notes 2 and 3 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

As also discussed in Note 3 to the financial statements, the University adjusted beginning net position to record the effects of the transfer of property and funds from the Florida Virtual Campus and has established two new organizations housed at the University – the Florida Academic Library Services Cooperative and the Complete Florida Plus Program. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of University Contributions – Florida Retirement System Pension Plan, Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of University Contributions – Health Insurance Subsidy Pension Plan, and Notes To Required Supplementary Information**, as listed in

the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 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 the 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,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 21, 2016

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, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2015, and June 30, 2014.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$295.9 million at June 30, 2015. This balance reflects a \$27.2 million, or 10.1 percent, increase as compared to the 2013-14 fiscal year, resulting from an increase in investment activity, an increase in amounts due from the State for construction purposes, and the transition of the assets of the Florida Virtual Campus to the University.

The University's liabilities increased by \$21.1 million, or 33.2 percent, totaling \$84.5 million at June 30, 2015, compared to \$63.5 million at June 30, 2014. This increase is primarily attributable to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard requires the University, as a participating employer in defined benefit pension plans administered by the Florida Division of Retirement, to recognize the University's proportionate share of the University's collective net pension liabilities. Changes in liabilities are recognized through the Statement of Revenues, Expenses, and Changes in Net Position, or reported as deferred outflows or inflow of resources on the Statement of Net Position, depending on the nature of the change. As part of this implementation, the University recorded deferred inflows of pension resources of \$13.1 million and deferred outflows of pension resources of \$9.1 million as well as an adjustment to reduce beginning net position by \$24.3 million.

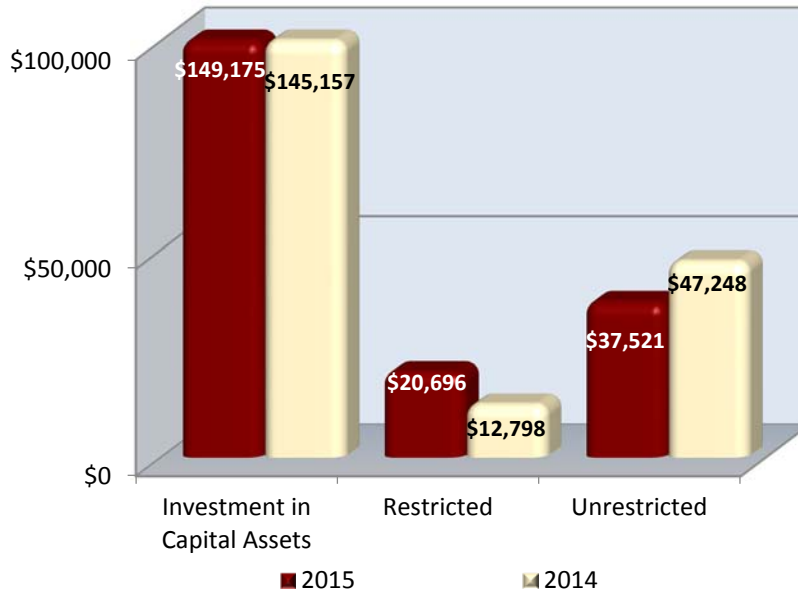
Pursuant Chapter 2014-56, Laws of Florida, Sections 1006.73 and 1006.735, Florida Statutes, were amended to eliminate the Florida Virtual Campus and establish two new organizations housed within the University – the Florida Academic Library Services Cooperative and the Complete Florida Plus Program. Chapter 2014-51, Laws of Florida (2014-15 General Appropriations Act), required the Board of Governors, in collaboration with the Department of Education, to prepare a budget amendment to transfer the funds appropriated in Specific Appropriations 110, 128, and 154 to the University. The Legislative Budget Commission approved the budget amendment on September 10, 2014. Included in the transfer were prior year appropriations, auxiliary balances, and property and equipment totaling \$11.1 million, which the University recorded as an adjustment to beginning net position.

The University's operating revenues totaled \$83.6 million for the 2014-15 fiscal year, representing a 1.2 percent decrease compared to the 2013-14 fiscal year due mainly to a decline in student tuition and fees. Operating expenses totaled \$218.1 million for the 2014-15 fiscal year, representing an increase of 15.9 percent compared to the 2013-14 fiscal year as the mission of the Florida Virtual Campus was absorbed by the University.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's net position increased by

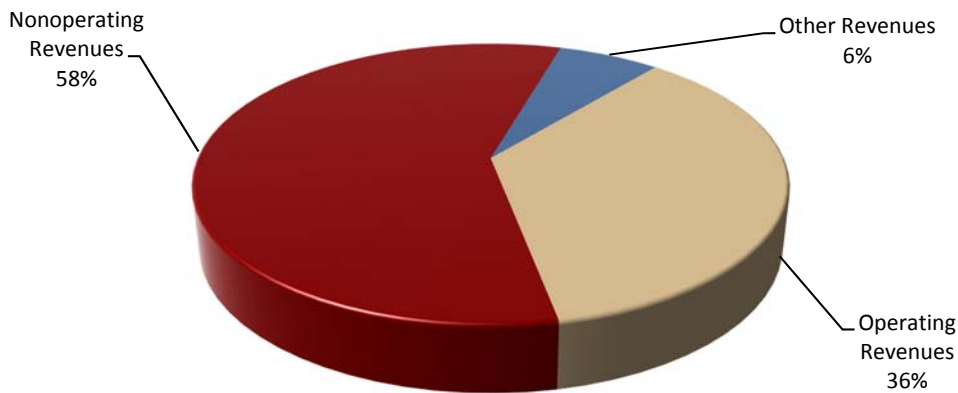
\$2.2 million compared to the 2013-14 fiscal year, resulting in a year-end balance of \$207.4 million at June 30, 2015. The University's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the following graph:

Net Position:
(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2014-15 fiscal year:

Total Revenues:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report consists of 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 on the application of the criteria for determining component units, these component units are included within the University reporting entity as discretely presented component units.

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

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals 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 decline in the University's financial condition.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets	\$ 141,476	\$ 118,354
Capital Assets, Net	149,175	145,157
Other Noncurrent Assets	<u>5,215</u>	<u>5,158</u>
Total Assets	<u>295,866</u>	<u>268,669</u>
Deferred Outflows of Resources	<u>9,146</u>	<u>-</u>
Liabilities		
Current Liabilities	18,544	14,816
Noncurrent Liabilities	<u>65,993</u>	<u>48,650</u>
Total Liabilities	<u>84,537</u>	<u>63,466</u>
Deferred Inflows of Resources	<u>13,083</u>	<u>-</u>
Net Position		
Investment in Capital Assets	149,175	145,157
Restricted	20,696	12,798
Unrestricted	<u>37,521</u>	<u>47,248</u>
Total Net Position	<u>\$ 207,392</u>	<u>\$ 205,203</u>

The increase in current assets was due in part to increased investment activity made possible by an increase in State noncapital appropriations, a portion of which was designed to fund initiatives that were incomplete at the end of the fiscal year. A \$9.5 million increase in amounts due from the State for capital projects also contributed to the increase. Noncurrent capital assets increased due, in part, to the transfer of Florida Virtual Campus equipment.

Current liabilities reflect an increase in the amount of parking and transportation revenues collected by the University on behalf of UWF Business Enterprises, Inc., one of the University's direct-support organizations charged with oversight of the parking and transportation function. Noncurrent liabilities increased in connection with the implementation of GASB Statement No. 68, which requires the University, as a participant in a cost-sharing multiple-employer defined pension plan, to recognize its proportionate share of the net pension liability of the defined benefit pension plan.

Deferred inflows of resources and outflows of resources are also attributable to the implementation of GASB Statement No. 68 and appear on the statement of net position for the first time in the 2014-15 fiscal year.

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 2014-15 and 2013-14 fiscal years:

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

	2014-15	2013-14
Operating Revenues	\$ 83,633	\$ 84,663
Less, Operating Expenses	218,072	188,177
Operating Loss	(134,439)	(103,514)
Net Nonoperating Revenues	134,460	100,118
Income (Loss) Before Other Revenues	21	(3,396)
Other Revenues	15,312	12,681
Net Increase In Net Position	15,333	9,285
Net Position, Beginning of Year	205,203	195,918
Adjustments to Beginning Net Position (1)	(13,144)	-
Net Position, Beginning of Year, as Restated	192,059	195,918
Net Position, End of Year	\$ 207,392	\$ 205,203

Note: (1) The net adjustment to beginning net position resulted from the increase of \$11.1 million from the transition of the Florida Virtual Campus to the University and the decrease of \$24.3 million due to the implementation of GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

Operating Revenues

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

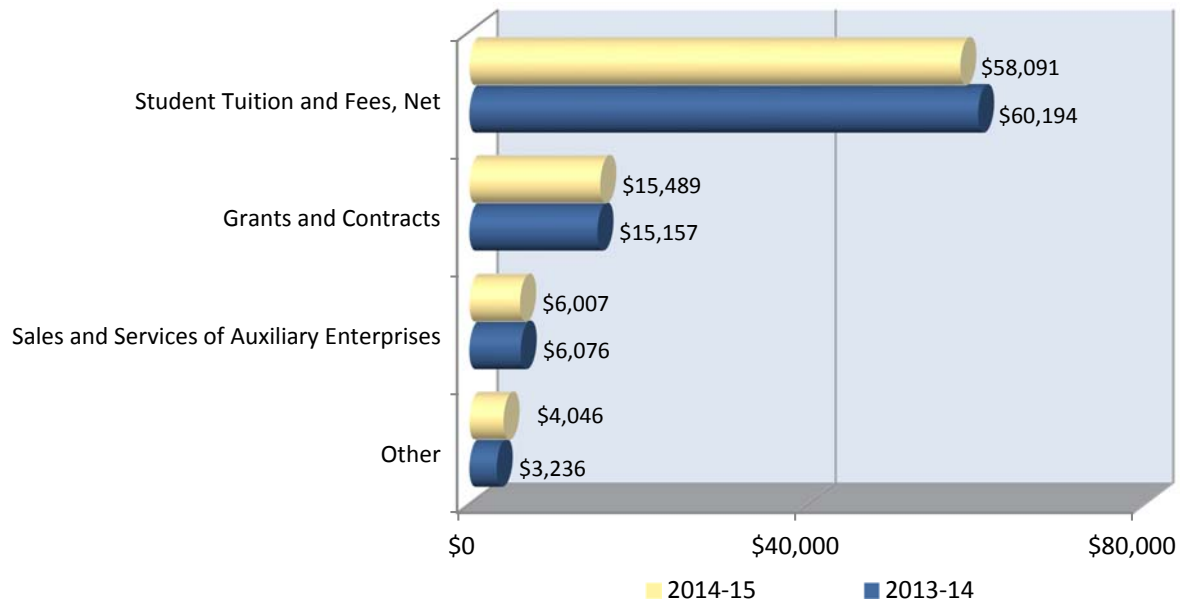
The following summarizes the operating revenues by source that were used to fund operating activities for the 2014-15 and 2013-14 fiscal years:

	2014-15	2013-14
Student Tuition and Fees, Net	\$ 58,091	\$ 60,194
Grants and Contracts	15,489	15,157
Sales and Services of Auxiliary Enterprises	6,007	6,076
Other Operating Revenues	4,046	3,236
Total Operating Revenues	\$ 83,633	\$ 84,663

The following chart presents the University's operating revenues for the 2014-15 and 2013-14 fiscal years:

Operating Revenues

(In Thousands)



Total operating revenues for the 2014-15 fiscal year were \$83.6 million, of which \$58.1 million was from net student tuition and fees. Tuition allowances, which represent the difference between the stated charges for goods and services provided by the University and the amount that is actually paid by a student or third party making payment on behalf of the student, totaled \$21.1 million, and are deducted from gross student tuition and fees of \$79.2 million to arrive at net student tuition and fees. Net student tuition and fees was \$58.1 million for the 2014-15 fiscal year, which represents a decrease of \$2.1 million, or 3.5 percent, from the 2013-14 fiscal year. This decrease was primarily due to a decline in the number of credit hours students were enrolled.

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.

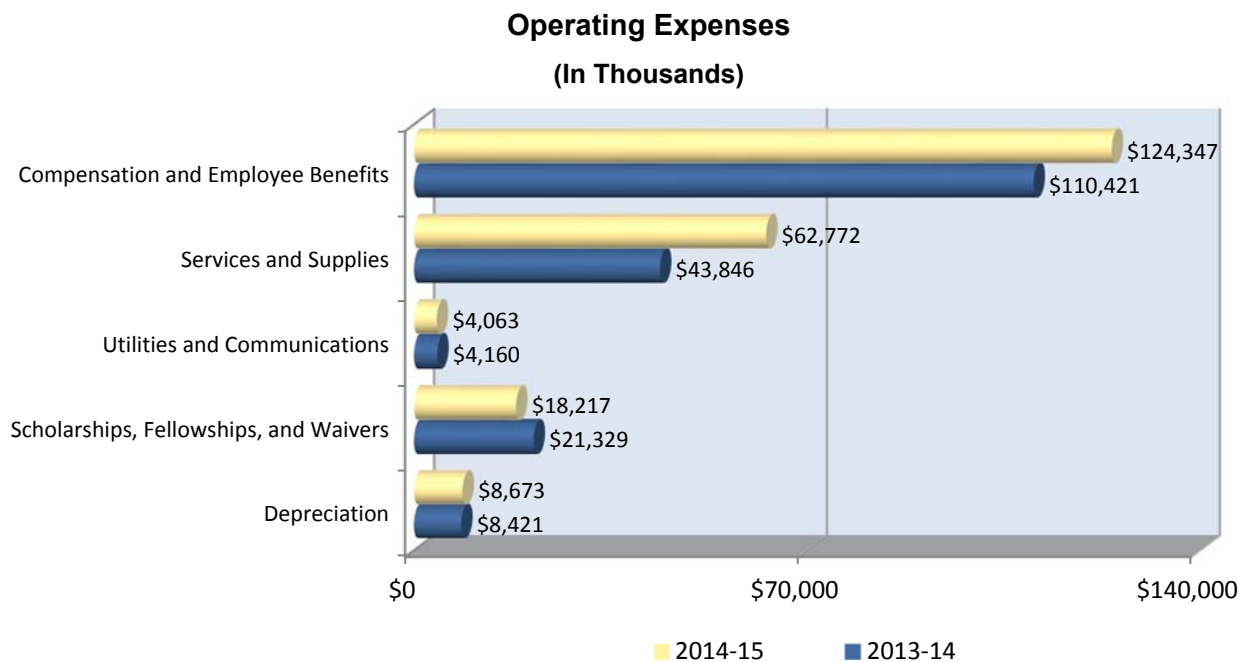
The following summarizes operating expenses by natural classification for the 2014-15 and 2013-14 fiscal years:

Operating Expenses

(In Thousands)

	2014-15	2013-14
Compensation and Employee Benefits	\$ 124,347	\$ 110,421
Services and Supplies	62,772	43,846
Utilities and Communications	4,063	4,160
Scholarships, Fellowships, and Waivers	18,217	21,329
Depreciation	8,673	8,421
Total Operating Expenses	\$ 218,072	\$ 188,177

The following chart presents the University's operating expenses for the 2014-15 and 2013-14 fiscal years:



Pursuant to Chapter 2014-56, Laws of Florida, Sections 1006.73 and 1006.735, Florida Statutes were amended to eliminate the Florida Virtual Campus and establish two new organizations housed within the University – the Florida Academic Library Services Cooperative and the Complete Florida Plus Program. The \$13.9 million increase in compensation and employee benefits is directly related to the payroll associated with the employees of the Florida Virtual Campus organization as well as to one-time bonuses for faculty and staff and faculty raises implemented in January of 2015.

The \$18.9 million increase in services and supplies was primarily due to expenses associated with the Florida Academic Library Services Cooperative and the Complete Florida Plus Program. The increase in expenditures is also associated with activities on various University initiatives, such as the Doctorate of Nursing Practice, the Complete Florida Program, and enhancement of the Small Business Development Centers. Scholarships decreased primarily due to a decline in the number of students eligible for the Bright Futures scholarships under increasingly restrictive eligibility requirements.

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 primarily include loss on the disposal of capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2014-15 and 2013-14 fiscal years:

	2014-15	2013-14
State Noncapital Appropriations	\$ 106,711	\$ 71,003
Federal and State Student Financial Aid	23,509	24,702
Noncapital Grants, Contracts, and Gifts	3,237	3,011
Investment Income	696	1,405
Other Nonoperating Revenues	337	19
Loss on Disposal of Capital Assets	(19)	(22)
Other Nonoperating Expenses	(11)	-
Net Nonoperating Revenues	\$ 134,460	\$ 100,118

The increase in the University's State noncapital appropriations of \$35.7 million was due in large part to the transfer to the University of \$20.8 million in State noncapital appropriations previously appropriated to the Florida Virtual Campus organization. The University additionally received an increase in State noncapital appropriations in furtherance of various University initiatives, including a \$2 million appropriation for operational support, a \$2 million increase in funding for the Complete Florida Plus Program, \$2 million for the Mechanical Engineering Program, \$5 million for economic development, and \$1.5 million for advanced manufacturing initiatives. The decline in Federal and State student financial aid of \$1.2 million is directly related to the decline in the amount of Bright Futures scholarships processed by the University. While gross investment income increased, the University recognized an unrealized loss on investments in the 2014-15 fiscal year, compared to an unrealized gain in the 2013-14 fiscal year, which resulted in a decrease to net investment income.

Other Revenues

This category is mainly composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2014-15 and 2013-14 fiscal years:

	2014-15	2013-14
State Capital Appropriations	\$ 14,419	\$ 11,879
Capital Grants, Contracts, Donations, and Fees	893	802
Total Other Revenues	\$ 15,312	\$ 12,681

The \$2.5 million increase in State capital appropriations resulted from an increase in State funding for construction projects.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2014-15 and 2013-14 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2014-15	2013-14
Cash Provided (Used) by:		
Operating Activities	\$ (128,501)	\$ (82,263)
Noncapital Financing Activities	135,528	98,239
Capital and Related Financing Activities	(5,467)	3,439
Investing Activities	(14,783)	(14,653)
Net Increase (Decrease) in Cash and Cash Equivalents	(13,223)	4,762
Cash and Cash Equivalents, Beginning of Year	8,838	4,076
Adjustment to Beginning Cash and Cash Equivalents (1)	9,574	-
Cash and Cash Equivalents, Beginning of Year, As Restated	18,412	-
Cash and Cash Equivalents, End of Year	\$ 5,189	\$ 8,838

Note: (1) The adjustment to beginning cash and cash equivalents net position resulted from the transition of the Florida Virtual Campus to the University.

Major sources of funds came from State noncapital appropriations (\$106.7 million), net student tuition and fees (\$57.7 million), Federal Direct Student Loan receipts (\$49.6 million), Federal and State student financial aid (\$23.5 million), grants and contracts (\$13.3 million), sales and services of auxiliary enterprises (\$6 million), and State capital appropriations (\$4.9 million). Major uses of funds were for payments made to and on behalf of employees totaling \$121.3 million; payments to suppliers totaling \$67.1 million; disbursements to students for Federal Direct Student Loans totaling \$49.6 million, payments to and on behalf of students for scholarships totaling \$18.2 million, and purchases of capital assets totaling \$10.4 million.

A decline in cash provided by grants and contracts of \$11.6 million, coupled with an increase in payments to suppliers for goods and services associated with the Florida Virtual Campus transition to the University, were major contributors to the increase in cash used for operating purposes of \$46.2 million at June 30, 2015, compared to the prior fiscal year. This, along with a \$7.9 million increase in cash used

for the purchase of capital assets, was offset by an increase in cash provided by State noncapital appropriations of \$35.7 million. The \$13.2 million net decrease in cash and cash equivalents was offset by a \$9.6 million increase in beginning cash and cash equivalents related to the acquisition of the Florida Virtual Campus. As a result, cash and cash equivalents decreased by \$3.6 million from the 2013-14 fiscal year.

CAPITAL ASSETS AND CAPITAL COMMITMENTS

Capital Assets

At June 30, 2015, the University had \$300 million in capital assets, less accumulated depreciation of \$150.8 million, for net capital assets of \$149.2 million. Depreciation charges for the current fiscal year totaled \$8.7 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)		
	2015	2014
Land	\$ 9,606	\$ 9,606
Works of Art and Historical Treasures	12,491	11,631
Construction in Progress	3,973	1,566
Buildings	98,216	98,693
Infrastructure and Other Improvements	13,643	12,814
Furniture and Equipment	9,446	8,202
Library Resources	1,800	2,645
Capital Assets, Net	\$149,175	\$145,157

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

Capital Commitments

The University's major construction commitments at June 30, 2015, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 10,901
Completed to Date	(3,973)
Balance Committed	\$ 6,928

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. Due to increasing concerns over the cost of higher education in the State of Florida, the Legislature provided for no increase

in student tuition or tuition differential fees for the University of West Florida for the 2015-16 fiscal year. State noncapital appropriations will increase for the 2015-16 fiscal year by \$7.5 million, which includes \$5.9 million associated with the University's positive ranking on performance metrics established by the Florida Board of Governors for the Florida State University System. The University's ability to retain this funding is dependent on future success with performance metrics and, consequently, University management is aggressively pursuing a performance improvement plan that the University is confident will forestall the loss of at-risk funds.

REQUESTS FOR INFORMATION

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

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

**University of West Florida
A Component Unit of the State of Florida
Statement of Net Position**

June 30, 2015

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,690,883	\$ 2,826,990
Investments	111,104,527	178,214
Accounts Receivable, Net	8,751,667	2,524,147
Loans and Notes Receivable, Net	38,602	62,119
Due from State	18,889,600	-
Due from University	-	2,057,357
Inventories	-	141,622
Other Current Assets	736	388,527
Total Current Assets	<u>141,476,015</u>	<u>8,178,976</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,498,309	12,454,548
Restricted Investments	-	73,853,423
Loans and Notes Receivable, Net	2,717,168	-
Depreciable Capital Assets, Net	123,105,229	55,298,446
Nondepreciable Capital Assets	26,069,662	9,147,781
Other Noncurrent Assets	-	684
Total Noncurrent Assets	<u>154,390,368</u>	<u>150,754,882</u>
Total Assets	<u>295,866,383</u>	<u>158,933,858</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	9,146,669	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,963,235	1,219,379
Construction Contracts Payable	345,175	-
Salaries and Wages Payable	3,233,984	-
Deposits Payable	783,363	55,997
Due to Component Units	2,057,357	-
Unearned Revenue	1,757,913	-
Other Current Liabilities	1,328	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	2,217,936
Loans and Notes Payable	-	38,743
Capital Lease Payable	-	4,790
Compensated Absences Payable	1,051,671	-
Unearned Revenue	4,954,086	521,419
Net Pension Liability	395,727	-
Total Current Liabilities	<u>18,543,839</u>	<u>4,058,264</u>

**University of West Florida
A Component Unit of the State of Florida
Statement of Net Position (Continued)**

June 30, 2015

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	49,013,881
Loans and Notes Payable	-	958,463
Capital Lease Payable	-	9,235
Compensated Absences Payable	12,650,983	243,114
Unearned Revenue	17,363,258	6,629,133
Other Postemployment Benefits Payable	16,251,000	-
Other Noncurrent Liabilities	1,470,673	198,375
Net Pension Liability	18,257,709	-
Total Noncurrent Liabilities	65,993,623	57,052,201
Total Liabilities	84,537,462	61,110,465
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	13,083,260	-
NET POSITION		
Investment in Capital Assets	149,174,891	7,678,606
Restricted for Nonexpendable:		
Endowment	-	49,947,222
Restricted for Expendable:		
Loans	2,002,075	-
Capital Projects	17,997,706	-
Other	696,814	26,185,249
Unrestricted	37,520,844	14,012,316
TOTAL NET POSITION	\$ 207,392,330	\$ 97,823,393

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, 2015

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$21,074,611	\$ 58,090,766	\$ -
Federal Grants and Contracts	11,513,936	-
State and Local Grants and Contracts	3,974,440	-
Sales and Services of Auxiliary Enterprises	6,007,160	-
Sales and Services of Component Units	-	4,459,417
Gifts and Donations	-	2,651,330
Interest on Loans and Notes Receivable	46,828	-
Other Operating Revenues	3,999,500	12,270,059
Total Operating Revenues	<u>83,632,630</u>	<u>19,380,806</u>
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	124,346,945	3,000,645
Services and Supplies	62,772,257	6,999,041
Utilities and Communications	4,062,546	1,370,102
Scholarships, Fellowships, and Waivers	18,217,167	34,566
Depreciation	8,672,668	2,916,370
Total Operating Expenses	<u>218,071,583</u>	<u>14,320,724</u>
Operating Income (Loss)	<u>(134,438,953)</u>	<u>5,060,082</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	106,711,314	-
Federal and State Student Financial Aid	23,509,026	-
Noncapital Grants, Contracts, and Gifts	3,236,923	-
Investment Income	696,570	2,071,346
Other Nonoperating Revenues	336,512	20,310
Loss on Disposal of Capital Assets	(19,481)	(3,943)
Interest on Capital Asset-Related Debt	-	(2,671,048)
Other Nonoperating Expenses	(10,982)	(4,526,842)
Net Nonoperating Revenues (Expenses)	<u>134,459,882</u>	<u>(5,110,177)</u>
Income (Loss) Before Other Revenues	20,929	(50,095)
State Capital Appropriations	14,419,150	-
Capital Grants, Contracts, Donations, and Fees	892,742	-
Additions to Permanent Endowments	-	1,403,098
Increase in Net Position	<u>15,332,821</u>	<u>1,353,003</u>
Net Position, Beginning of Year	205,203,380	96,470,390
Adjustment to Beginning Net Position	(13,143,871)	-
Net Position, Beginning of Year, as Restated	<u>192,059,509</u>	<u>96,470,390</u>
Net Position, End of Year	<u>\$ 207,392,330</u>	<u>\$ 97,823,393</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

**University of West Florida
A Component Unit of the State of Florida
Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2015

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 57,686,636
Grants and Contracts	10,105,848
Sales and Services of Auxiliary Enterprises	6,007,160
Interest on Loans and Notes Receivable	51,599
Payments to Employees	(121,328,444)
Payments to Suppliers for Goods and Services	(67,073,057)
Payments to Students for Scholarships and Fellowships	(18,217,167)
Loans Issued to Students	(232,418)
Collection on Loans to Students	376,246
Other Operating Receipts	4,122,574
	Net Cash Used by Operating Activities
	(128,501,023)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	106,711,314
Federal and State Student Financial Aid	23,509,026
Noncapital Grants, Contracts, and Gifts	3,236,923
Federal Direct Loan Program Receipts	49,598,331
Federal Direct Loan Program Disbursements	(49,598,331)
Net Change in Funds Held for Others	1,824,772
Other Nonoperating Receipts	245,998
	Net Cash Provided by Noncapital Financing Activities
	135,528,033
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	4,938,033
Purchase or Construction of Capital Assets	(10,404,606)
	Net Cash Used by Capital and Related Financing Activities
	(5,466,573)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	156,905,000
Purchases of Investments	(172,866,753)
Investment Income	1,178,539
	Net Cash Used by Investing Activities
	(14,783,214)
	Net Decrease in Cash and Cash Equivalents
	(13,222,777)
Cash and Cash Equivalents, Beginning of Year	8,838,088
Adjustment to Beginning Cash	9,573,881
	Cash and Cash Equivalents, Beginning of Year, As Restated
	18,411,969
Cash and Cash Equivalents, End of Year	\$ 5,189,192

University of West Florida
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2015

	University
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (134,438,953)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,672,668
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(1,872,536)
Other Assets	(736)
Accounts Payable	(142,650)
Salaries and Wages Payable	705,222
Deposits Payable	(62,553)
Compensated Absences Payable	907,620
Unearned Revenue	(3,558,099)
Other Liabilities	(116,664)
Other Postemployment Benefits Payable	3,072,000
Net Pension Liability	(8,724,162)
Deferred Outflows of Resources Related to Pensions	(6,025,440)
Deferred Inflows of Resources Related to Pensions	13,083,260
	\$ (128,501,023)

**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.	\$ (469,100)
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.	\$ (19,481)
Donation 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.	\$ 892,742

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

NOTES TO FINANCIAL STATEMENTS

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 5 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, and selecting 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 expenses to or for the benefit of the University. These organizations and their purposes are explained as follows:

- University of West Florida Foundation, Inc. provides funding and services to support and foster the pursuit of higher education at the University and operates solely for the benefit of the University and its mission of teaching, research, and service. The Foundation serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. The Foundation does not serve any private causes but generally benefits the public.
- West Florida Historic Preservation, Inc. was established to engage in the restoration and exhibition of historical landmarks in the Pensacola, Florida vicinity. This organization conducts certain activities and programs that assist and promote the purposes of the University.
- UWF Business Enterprises, Inc. was established to receive, hold, develop, provide, maintain, and administer property and to make expenses 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 at 11000 University Parkway, Pensacola, FL, 32514. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

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

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

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The University of West Florida Foundation, Inc. follows FASB standards of accounting and financial reporting for not-for-profit organizations. West Florida Historic Preservation, Inc. and UWF Business Enterprises, Inc., follow GASB standards of accounting and financial reporting.

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

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

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

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

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

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

- Buildings – 10 to 50 years

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

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

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

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

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

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms.

2. Reporting Change

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The University participates in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

3. Adjustments to Beginning Net Position

The beginning net position of the University was decreased by \$24,256,369 due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the University to recognize its proportionate share of the net pension liabilities and operating statement activities related to changes in the collective pension liabilities of the cost-sharing multiple-employer FRS and HIS defined benefit pension plans.

Pursuant to Chapter 2014-56, Laws of Florida, Sections 1006.73 and 1006.735, Florida Statutes, were amended to eliminate the Florida Virtual Campus (FLVC) and establish two new organizations housed within the University – the Florida Academic Library Services Cooperative and the Complete Florida Plus Program.

Chapter 2014-51, Laws of Florida (2014-15 General Appropriations Act), required the Board of Governors, in collaboration with the Department of Education, to prepare a budget amendment to transfer the funds appropriated in Specific Appropriations 110, 128, and 154 to the University. The Legislative Budget Commission approved the budget amendment on September 10, 2014. Included in the transfer were prior year appropriations, auxiliary balances, and property and equipment totaling \$11,112,498, which the University recorded as an adjustment to beginning net position.

The following is a summary of adjustments to beginning net position of the University reported in the statement of revenues, expenses, and changes in net position:

<u>Description</u>	<u>University</u>
To Increase Beginning Net Position for Transfer of FLVC operations to the University.	\$ 11,112,498
To Decrease Beginning Net Position due to Recognition of Net Pension Liability in Accordance with GASB Statement No. 68.	<u>(24,256,369)</u>
Total	<u>\$ (13,143,871)</u>

4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The 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 law. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; 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; and other investments approved by the Board of Trustees as authorized by law.

The University's investments at June 30, 2015, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 85,127,940
SBA Florida Prime	982,212
United States Treasury Securities	3,980,726
Obligations of United States Government	
Agencies and Instrumentalities	1,676,438
Bonds and Notes	14,337,473
Mutual Funds:	
Equities	<u>4,999,738</u>
Total University Investments	<u>\$ 111,104,527</u>

External Investment Pools

The University reported investments at fair value totaling \$85,127,940 at June 30, 2015, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.67 years, and fair value factor of 1.0013 at June 30, 2015. 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, 2015, the University reported investments totaling \$982,212 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, 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 34 days as of June 30, 2015. 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.

Other Investments

The University invested in various debt and equity securities and mutual funds. The following risks apply to the University's investments in debt and equity securities:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16) Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University in debt securities and bond and notes, and their future maturities at June 30, 2015, are as follows:

University Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1-5	More Than 5
United States Treasury Securities	\$ 3,980,726	\$ 158,699	\$ 3,822,027	\$ -
Obligations of United States Government Agencies and Instrumentalities	1,676,438	-	623,569	1,052,869
Bonds and Notes	14,337,473	865,660	8,978,850	4,492,963
Total University Debt Investments	\$ 19,994,637	\$ 1,024,359	\$ 13,424,446	\$ 5,545,832

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The following schedule represents the ratings at June 30, 2015, of the University's debt instruments using Moody's and Standard & Poor's, nationally recognized rating agencies:

University Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A
United States Treasury Securities	\$ 3,980,726	\$ 3,980,726	\$ -	\$ -	\$ -
Obligations of United States Government Agencies and Instrumentalities	1,676,438	758,833	-	-	917,605
Bonds and Notes	14,337,473	5,720,283	2,179,385	4,590,996	1,846,809
Total University Debt Investments	\$ 19,994,637	\$ 10,459,842	\$ 2,179,385	\$ 4,590,996	\$ 2,764,414

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investments in a single issuer. The University's investment policies require diversification sufficient to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. The University's policy considers credit risk on an investment type basis and established that, in equities, no more than 10 percent of the portfolio should be invested in any one company.

Component Units Investments

Investments held by the University of West Florida Foundation, Inc. and West Florida Historic Preservation, Inc. at June 30, 2015, 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	\$ 43,878,543
Debt Securities	10,332,591
Alternative Investments:	
Fund of Fund Hedge Funds	15,815,353
Private Equity Investments	2,032,648
Real Estate Investment Trust	1,498,690
Funds Held in Trust	295,598
Certificates of Deposit	178,214
Total Component Units' Investments	<u><u>\$ 74,031,637</u></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.

5. 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, 2015, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 6,668,666
Student Tuition and Fees	1,682,826
Other	1,669,391
Gross Accounts Receivable	10,020,883
Less Allowance for Doubtful Accounts	(1,269,216)
Net Accounts Receivable	<u><u>\$ 8,751,667</u></u>

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. Loans and notes receivable are reported net of allowances for doubtful accounts of \$21,895.

6. Due From State

This amount consists of \$18,889,600 of Public Education Capital Outlay allocations due from the State to the University.

7. Due To Component Units

The \$2,057,357 reported as due to component units consists of amounts owed by the University to its direct-support organizations for student housing deposits and student parking services.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 9,605,539	\$ -	\$ -	\$ -	\$ 9,605,539
Works of Art and Historical Treasures	11,630,967	-	860,371	-	12,491,338
Construction in Progress	1,566,035	-	3,287,807	881,057	3,972,785
Total Nondepreciable Capital Assets	\$ 22,802,541	\$ 0	\$ 4,148,178	\$ 881,057	\$ 26,069,662
Depreciable Capital Assets:					
Buildings	\$ 173,760,647	\$ -	\$ 3,629,300	\$ -	\$ 177,389,947
Infrastructure and Other Improvements	29,418,506	-	1,925,851	-	31,344,357
Furniture and Equipment	27,908,841	4,592,734	2,348,952	1,448,556	33,401,971
Library Resources	29,940,097	-	-	198,700	29,741,397
Leasehold Improvements	59,403	-	-	-	59,403
Computer Software	2,012,099	-	-	50,525	1,961,574
Total Depreciable Capital Assets	263,099,593	4,592,734	7,904,103	1,697,781	273,898,649
Less, Accumulated Depreciation:					
Buildings	75,067,895	-	4,106,128	-	79,174,023
Infrastructure and Other Improvements	16,604,423	-	1,097,024	-	17,701,447
Furniture and Equipment	19,706,750	3,054,115	2,623,649	1,429,075	23,955,439
Library Resources	27,294,759	-	845,657	198,700	27,941,716
Leasehold Improvements	59,011	-	210	-	59,221
Computer Software	2,012,099	-	-	50,525	1,961,574
Total Accumulated Depreciation	140,744,937	3,054,115	8,672,668	1,678,300	150,793,420
Total Depreciable Capital Assets, Net	\$ 122,354,656	\$ 1,538,619	\$ (768,565)	\$ 19,481	\$ 123,105,229

Note: (1) To adjust the property records for the property and equipment transferred from the Florida Virtual Campus to the University. See Note 3 to the financial statements.

9. Deferred Outflows / Inflows of Resources

Certain changes in the University's proportionate share of the net pension liabilities of the cost-sharing multiple-employer FRS and HIS defined benefit pension plans are reported as deferred outflows and inflows of pension resources. Total deferred outflows of pension resources was \$9,146,669 and deferred inflows of pension resources was \$13,083,260 at June 30, 2015. Note 11 includes a complete discussion of defined benefit pension plans.

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2015, include unearned revenue, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated Absences Payable	\$ 12,795,033	\$ 2,334,916	\$ 1,427,295	\$ 13,702,654	\$ 1,051,671
Unearned Revenue	24,765,502	-	2,448,158	22,317,344	4,954,086
Other Postemployment Benefits Payable	13,179,000	3,636,000	564,000	16,251,000	-
Other Noncurrent Liabilities	1,492,556	-	21,883	1,470,673	-
Net Pension Liability (1)	27,377,598	7,480,327	16,204,489	18,653,436	395,727
Total Long-Term Liabilities	\$ 79,609,689	\$ 13,451,243	\$ 20,665,825	\$ 72,395,107	\$ 6,401,484

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68. See Notes 2 and 3 to the financial statements.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$13,702,654. The current portion of the compensated absences liability, \$1,051,671, 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.

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, 2015, amounted to \$22,317,344, with \$4,954,086 expected to be earned during the 2015-16 fiscal year.

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 annual 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 State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor’s recommended budget and the General Appropriations Act. For the 2014-15 fiscal year, 204 retirees received postemployment healthcare benefits. The University provided required contributions of \$564,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,283,000, which represents 1.6 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 2,285,000
Amortization of Unfunded Actuarial Accrued Liability	1,144,000
Interest on Normal Cost and Amortization	<u>137,000</u>
Annual Required Contribution	3,566,000
Interest on Net OPEB Obligation	527,000
Adjustment to Annual Required Contribution	<u>(457,000)</u>
Annual OPEB Cost (Expense)	3,636,000
Contribution Toward the OPEB Cost	<u>(564,000)</u>
Increase in Net OPEB Obligation	3,072,000
Net OPEB Obligation, Beginning of Year	<u>13,179,000</u>
Net OPEB Obligation, End of Year	<u><u>\$ 16,251,000</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, 2015, and for the 2 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>
2012-13	\$ 3,496,000	23.8%	\$ 9,844,000
2013-14	3,984,000	16.3%	13,179,000
2014-15	3,636,000	15.5%	16,251,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$36,847,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$36,847,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$79,520,376 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 46.3 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 benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the University's 2014-15 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.21 percent, 7.89 percent, and 7.59 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 6.95 percent, 7.64 percent, and 7.75 percent, respectively, for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 22 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.

Net Pension Liability. As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2015, the University's proportionate share of the net pension liabilities totaled \$18,653,436. Note 11 includes a complete discussion of defined benefit pension plans.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered 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. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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' Web site (www.dms.myflorida.com).

The University's pension expense totaled \$2,156,343 for the 2014-15 fiscal year for both the FRS Pension Plan and the HIS Pension Plan.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

- *Senior Management Service Class* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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. Employees enrolled in the Plan 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 to eligible participants.

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-participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk	3.00	19.82
Teachers Retirement System Plan E	6.25	11.50
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The University's contributions to the Plan totaled \$3,330,183 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of \$7,562,363 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined

by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.123943291 percent, which was an increase of 0.022322285 from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of \$1,324,620. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (467,982)
Change of assumptions	1,309,676	
Net difference between projected and actual earnings on pension plan investments	-	(12,615,278)
Changes in proportion and differences between University contributions and proportionate share of contributions	3,232,713	-
University contributions subsequent to the measurement date	<u>3,330,183</u>	<u>-</u>
Total	<u>\$ 7,872,572</u>	<u>\$ (13,083,260)</u>

The deferred outflows of resources related to pensions totaling \$3,330,183, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (2,385,063)
2017	(2,385,063)
2018	(2,385,063)
2019	(2,385,063)
2020	768,756
Thereafter	<u>230,625</u>
Total	<u>\$ (8,540,871)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed Inflation - Mean		2.60%		2.00%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability	\$ 32,345,233	\$ 7,562,363	\$ (13,052,255)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2015, the University reported a payable of \$325,744 for the outstanding amount of contributions in the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$492,502 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of \$11,091,073 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within one year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.118618004 percent, which was an increase of 0.005090057 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the University recognized pension expense of \$831,723. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 394,664
Net difference between projected and actual earnings on HIS pension plan investments	5,324
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	381,607
University contributions subsequent to the measurement date	492,502
Total	\$ 1,274,097

The deferred outflows of resources totaling \$492,502 was related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 126,536
2017	126,536
2018	126,536
2019	126,536
2020	125,205
Thereafter	150,246
Total	\$ 781,595

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study has not been completed for the HIS Plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
University's proportionate share of the net pension liability	\$ 12,615,197	\$ 11,091,073	\$ 9,818,865

Pension Plan Fiduciary Net Position. Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2015, the University reported a payable of \$51,007 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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 the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled \$522,794 for the fiscal year ended June 30, 2015.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for 8 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 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS Pension Plan, and 0.01 percent to cover administrative costs, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$2,587,747, and employee contributions totaled \$1,891,361 for the 2014-15 fiscal year.

13. Construction Commitments

The University's major construction commitments at June 30, 2015, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
College of Business - Phase 3	\$ 3,104,448	\$ 1,487,109	\$ 1,617,339
Critical Deferred Maintenance	1,250,610	185,995	1,064,615
University Park	3,543,639	1,043,817	2,499,822
Practice Field - Football/Band/Intramurals	1,151,465	157,024	994,441
Subtotal	9,050,162	2,873,945	6,176,217
Other Projects (1)	1,851,290	1,098,840	752,450
Total	\$ 10,901,452	\$ 3,972,785	\$ 6,928,667

Note: (1) Individual projects with current balance committed of less than \$500,000 at June 30, 2015.

14. 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 2014-15 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 \$54 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 3 fiscal years.

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

15. 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 an academic department 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	\$ 53,113,184
Research	8,802,532
Public Services	45,865,352
Academic Support	23,361,614
Student Services	12,057,794
Institutional Support	19,784,764
Operation and Maintenance of Plant	10,739,307
Scholarships, Fellowships, and Waivers	18,217,167
Depreciation	8,672,668
Auxiliary Enterprises	<u>17,457,201</u>
Total Operating Expenses	<u>\$ 218,071,583</u>

16. 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:

Condensed Statement of Net Position

	Direct-Support Organizations			Total
	University of West Florida Foundation, Inc. 6-30-15	West Florida Historic Preservation, Inc. 6-30-15	UWF Business Enterprises, Inc. 6-30-15	
Assets:				
Current Assets	\$ 3,430,595	\$ 2,053,115	\$ 2,695,266	\$ 8,178,976
Capital Assets, Net	52,250,040	4,595,475	7,600,712	64,446,227
Other Noncurrent Assets	86,307,971	684	-	86,308,655
Total Assets	141,988,606	6,649,274	10,295,978	158,933,858
Liabilities:				
Current Liabilities	2,710,937	53,338	1,293,989	4,058,264
Noncurrent Liabilities	49,455,370	-	7,596,831	57,052,201
Total Liabilities	52,166,307	53,338	8,890,820	61,110,465
Net Position:				
Net Investment in Capital Assets	1,013,573	4,595,475	2,069,558	7,678,606
Restricted Nonexpendable	49,947,222	-	-	49,947,222
Restricted Expendable	26,024,342	160,907	-	26,185,249
Unrestricted	12,837,162	1,839,554	(664,400)	14,012,316
Total Net Position	\$ 89,822,299	\$ 6,595,936	\$ 1,405,158	\$ 97,823,393

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

	Direct-Support Organizations			Total
	University of West Florida Foundation, Inc. 6-30-15	West Florida Historic Preservation, Inc. 6-30-15	UWF Business Enterprises, Inc. 6-30-15	
Operating Revenues	\$ 14,399,022	\$ 668,809	\$ 4,312,975	\$ 19,380,806
Depreciation Expense	(2,697,239)	(136,182)	(82,949)	(2,916,370)
Operating Expenses	(7,752,179)	(609,500)	(3,042,675)	(11,404,354)
Operating Income (Loss)	3,949,604	(76,873)	1,187,351	5,060,082
Net Nonoperating Revenues (Expenses)				
Nonoperating Revenues	2,039,181	32,165	20,310	2,091,656
Interest Expense	(2,671,048)	-	-	(2,671,048)
Other Nonoperating Expenses	(4,269,873)	-	(260,912)	(4,530,785)
Net Nonoperating Revenues (Expenses)	(4,901,740)	32,165	(240,602)	(5,110,177)
Other Revenues	1,403,098	-	-	1,403,098
Increase (Decrease) in Net Position	450,962	(44,708)	946,749	1,353,003
Net Position, Beginning of Year	89,371,337	6,640,644	458,409	96,470,390
Net Position, End of Year	\$ 89,822,299	\$ 6,595,936	\$ 1,405,158	\$ 97,823,393

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

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

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

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

Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan

	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.123943291%	0.101621006%
University's proportionate share of the FRS net pension liability	\$ 7,562,363	\$ 17,493,498
University's covered-employee payroll (2)	\$ 65,432,933	\$ 80,062,817
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	11.56%	21.85%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.09%	88.54%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes

**Schedule of University Contributions –
Florida Retirement System Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 3,330,183	\$ 2,714,884
FRS contributions in relation to the contractually required contribution	<u>(3,330,183)</u>	<u>(2,714,884)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll (2)	\$ 72,474,365	\$ 65,432,933
FRS contributions as a percentage of covered-employee payroll	4.59%	4.15%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of the University's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan**

	<u>2014 (1)</u>	<u>2013 (1)</u>
University's proportion of the HIS net pension liability	0.118618004%	0.113527947%
University's proportionate share of the HIS net pension liability	\$ 11,091,073	\$ 9,884,100
University's covered-employee payroll (2)	\$ 34,892,579	\$ 32,980,756
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.79%	29.97%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.99%	1.78%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**Schedule of University Contributions –
Health Insurance Subsidy Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 492,502	\$ 406,345
HIS contributions in relation to the contractually required HIS contribution	<u>(492,502)</u>	<u>(406,345)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll (2)	\$ 38,823,836	\$ 34,892,579
HIS contributions as a percentage of covered-employee payroll	1.27%	1.16%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**1. Schedule of Net Pension Liability and Schedule of Contributions –
Florida Retirement System Pension Plan**

Changes of assumptions. As of June 30, 2014, the inflation rate assumption decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

**2. Schedule of Net Pension Liability and Schedule of Contributions –
Health Insurance Subsidy Pension Plan**

Changes of assumptions. As of June 30, 2014, the municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2015, 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 21, 2016, 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.

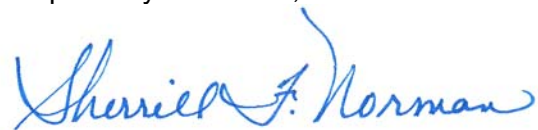
Compliance and Other Matters

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 results 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,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 21, 2016