



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES’
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
COMMITTEE MINUTES**

March 31, 2016

215B Emerson Alumni Hall, University of Florida, Gainesville, Florida

Time Convened: 10:45 a.m. EDT

Time Adjourned: 11:42 a.m. EDT

Verification of Quorum

After verification of a quorum with all members present, Temporary Acting Chair Thomas welcomed everyone and called the meeting to order at 10:45 a.m. EDT.

Members present were:

Temporary Acting Committee Chair David M. Thomas, Paul W. Davenport, Leonard H. Johnson, Joselin Padron-Rasines, Marsha D. Powers, and Robert G. Stern.

Others present were:

Board Chair Steven M. Scott, members of the President’s Cabinet, members of the University of Florida community, and other members of the public and the media.

Review and Approval of Minutes

The Acting Committee Chair asked for a motion to approve the minutes of the December 3, 2015 committee meeting, which was made by Trustee Davenport and seconded by Trustee Stern. The motion was approved unanimously.

Acting Committee Chair Thomas then reported that he had reviewed the status of investigations conducted by the Office of Internal Audit (OIA). These activities included items that had been received on the UF Compliance Hotline. Acting Committee Chair Thomas reported that he is satisfied that the investigations are being appropriately conducted and reviewed either by the Office of Internal Audit (OIA) or referred to other appropriate university offices.

Action Items

A01 - University of Florida Operational Audit issued December 2015

In December 2015, the State of Florida Auditor General released Operational Audit Report No. 2016-058 on the University of Florida covering the Fiscal Year Ended June 30, 2015.

The Acting Committee Chair asked for a motion to approve Action Item AO1, which was made by Trustee Stern and Seconded by Trustee Powers, for recommendation to the Board for its approval on the Consent Agenda. He asked for any discussion, then all in favor of the motion and any opposed. The motion was approved unanimously.

A02 - University of Florida Annual Financial Report for the Fiscal Year ended June 30, 2015

On February 17, 2016 the State of Florida Auditor General issued its report (unmodified opinion) on the audit of the financial statements of the University of Florida. The University subsequently published its Annual Financial Report, which includes the Auditor General's audit report. University Controller Alan West discussed changes in the reporting model related to the Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*.

The Acting Committee Chair asked for a motion to approve Action Item AO2, which was made by Trustee Scott and Seconded by Trustee Stern for recommendation to the Board for its approval on the Consent Agenda. He asked for any discussion, then all in favor of the motion and any opposed. The motion was approved unanimously.

The following Discussion/Information Items were addressed by the Committee:

Discussion/Informational Items

5.1 Update on External Audits

Denita Tyre of the Auditor General's Office appeared before the committee to provide an update on external audit activity. For the benefit of new committee members, Ms. Tyre provided an overview of the Auditor General's office and the external audit services that they provide for UF, which includes audits of the Financial Statements, Federal Compliance, Operations and Bright Futures.

Ms. Tyre reported that, for the 2014-2015 fiscal year, the four above-mentioned audits were performed. The Operational and Financial audits were presented to the Committee at the March 31st meeting for acceptance. For the 2015-2016 Fiscal Year, Ms. Tyre reported that the plan is to only conduct the Financial Audit.

With regard to currently active audit projects, Ms. Tyre reported:

- Florida Bright Futures for the Fiscal Years 2013-2014 and 2014-2015. This audit covers compliance with state regulations relative to the Bright Futures program. Expected release date for the audit report is spring 2016.
- Financial Statement Audit for the 2015-2016 Fiscal Year: This audit is conducted as part of a statewide audit, but a separate report is issued for the University of Florida. The audit should be completed and released by mid-January, 2017.

5.2 Internal Audits and Other Reviews

Chief Audit Executive (CAE) Brian Mikell of the OIA presented an internal audit project that had been issued since the last Committee meeting, the UAA PCard Program. The report and summary had been previously provided to the committee for detailed review. The audit project was briefly discussed and questions from the committee were answered. CAE Mikell also generally discussed a Management Advisory Project on the organizational structure of the privacy compliance function that had been completed and issued.

5.3 Quarterly Follow-up

Audit Director Cannella of the OIA reported on the follow-up status of comments and action plans from previously issued internal and other audits. For the benefit of new committee members, he explained the purpose and objectives for the follow-up system and discussed some of the more significant action plans in detail.

5.4 Audits of Affiliated Organizations

The committee was provided information relating to audits of university-affiliated organizations. This information was compiled by the general accounting and financial reporting department of the Office of the Controller. University Controller Alan West discussed the schedules and answered questions from the committee. For the benefit of new committee members, the purpose and origin of the schedules was explained.

5.5 Discussion of External Quality Assurance Review

CAE Mikell asked the question, "Who audits the auditor?" The answer is found in a Quality Assurance Review that is required to be conducted at least every 5 years under Internal Auditing Standards. CAE Mikell discussed the purpose of the review: to assure conformance with Internal Audit Standards, and to improve the internal audit function through the sharing of ideas with experienced peers.

CAE Mikell then discussed a plan for conducting the next Quality Assurance Review for the University of Florida's OIA, which will be required by the spring of 2017. The plan involved hiring a firm to manage the engagement, and recruit Internal Audit Professionals from peer institutions to participate. After some questions and discussion of this plan, the committee agreed that the plan was appropriate and by consensus authorized the CAE for move forward with planning.

Adjourn

After asking for any further discussion and hearing none, Acting Chair Thomas asked for a motion to adjourn, which was made by Trustee Stern and a second which was made by Trustee Johnson, and, with no further discussion desired, he asked for all in favor and any opposed and the motion was passed unanimously. The University of Florida Committee on Audit and Operations Review was adjourned at 11:42 a.m. EDT.



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
EXECUTIVE SUMMARY
March 31, 2016**

The Committee will consider and act on the following Action Items:

- Accept the University of Florida Operational Audit report which was issued December 2015; and
- Accept the University of Florida Annual Financial Report for the Fiscal Year ended June 30, 2015.

Upon acceptance, recommend these documents to the Board of Trustees for approval on the Consent Agenda.

The Committee will address the following Discussion/Informational Items:

- Denita Tyre, the local field supervisor from the Auditor General's office, will update the committee on the current external audits being conducted by her office;
- Brian Mikell, Chief Audit Executive (CAE), will discuss activities in the Office of Internal Audit (OIA) including:
 - internal audits completed and issued since the last committee meeting
 - the status of follow-up of audit comment action plans;
- The committee will receive information on the status of audits of university-affiliated support organizations;
- The CAE will discuss the External Quality Assurance Review process for the OIA



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
COMMITTEE AGENDA
March 31, 2016
~10:45 a.m. EST
President’s Room 215B, Emerson Alumni Hall
University of Florida, Gainesville, Florida**

Committee Members:

David M. Thomas (Temporary Acting Chair), Paul W. Davenport, Leonard H. Johnson, Joselin Padron-Rasines, Marsha D. Powers, Robert G. Stern

- 1.0 Verification of Quorum Brian Mikell, Chief Audit Executive
- 2.0 Call to Order and Welcome David M. Thomas, Temporary Acting Chair
- 3.0 Review and Approval of Minutes..... David M. Thomas, Temporary Acting Chair
[December 3, 2015](#)
- 4.0 Action Items David M. Thomas, Temporary Acting Chair
 - A01. [University of Florida Operational Audit issued December 2015](#)
 - A02. [University of Florida Annual Financial Report for the Fiscal Year ended June 30, 2015](#)
- 5.0 Discussion/Informational Items..... David M. Thomas, Temporary Acting Chair
 - 5.1 Update on External Audits Denita Tyre, Office of the Auditor General
 - 5.2 [Audits and Other Reviews](#)..... Office of Internal Audit
 - 5.3 [Quarterly Follow-up](#)..... Office of Internal Audit
 - 5.4 [Audits of Affiliated Organizations](#)..... Office of the Chief Financial Officer
 - 5.5 Discussion of External Quality Assurance Review Office of Internal Audit
- 6.0 New Business David M. Thomas, Temporary Acting Chair
- 7.0 Adjourn David M. Thomas, Temporary Acting Chair



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES’
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
COMMITTEE MINUTES**

December 3, 2015

215B Emerson Alumni Hall, University of Florida, Gainesville, Florida

Time Convened: 12:30 p.m. EST

Time Adjourned: 1:47 p.m. EST

1.0 Verification of Quorum

After a roll call, a quorum was confirmed.

Committee on Audit and Operations Review Members present:

Charles B. Edwards (Chair), Christopher T. Corr, Rahul Patel, Robert G. Stern, Paul Davenport, Joselin Padron-Rasines

2.0 Call to Order and Welcome

Committee Chair Charles B. Edwards called the meeting to order at 12:30 p.m. EDT.

Committee Chair Edwards welcomed everyone and asked for a moment of silence for the victims of recent terrorist acts around the world. Committee Chair Edwards then reported that he had reviewed the status of investigations conducted by the Office of Internal Audit (OIA). These activities included items that had been received on the UF Compliance Hotline. Trustee Edwards reported that he is satisfied that the investigations are being appropriately conducted and reviewed either by the OIA or referred to other appropriate university offices.

3.0 Review and Approval of Minutes

The Committee Chair asked for a motion to approve the minutes of the June 4, 2015 committee meeting, which was made by Trustee Corr and seconded by Trustee Davenport. The motion was approved unanimously.

4.0 Action Items

A01 - University of Florida Performance Based Funding – Data Integrity (Audit Report) and Performance Based Funding Data Integrity Certification.

Committee Chair Edwards asked the Committee to consider for approval and recommendation to the Board Consent Agenda Action Item A01 - University of Florida Performance Based Funding – Data Integrity (Audit Report) and Performance Based Funding Data Integrity Certification.

The audit is required by the Board of Governors (BOG) in support of their Performance Based Funding Model and was conducted by the OIA. CAE Mikell explained that the audit examines the controls in place that promote the accurate and efficient submission of university data to the BOG related to the performance based metrics. He further explained that the BOG requires this audit and that the Board of Trustees (BOT) must accept the audit. The BOG also requires the President to sign the Data Funding Integrity Certification form. The audit report provides the President with assurances when certifying the accuracy of submitted data. The Certification form must be approved by the BOT, and subsequently signed by the BOT Chairman.

Committee Chair Edwards asked for a motion to approve Action Item AO1 - University of Florida Performance Based Funding – Data Integrity (Audit Report) and Performance Based Funding Data Integrity Certification for the full Board’s approval on the Consent Agenda and for submission to the Board of Governors. The motion was made by Trustee Corr and Seconded by Trustee Davenport, and the motion was approved unanimously.

5.0 Discussion/Informational Items

The following Discussion/Information Items were presented during the Committee meeting:

5.1 Update on External Audits

Phil Ciano of the Auditor General’s Office appeared before the Committee to provide an update on current external audit activity. Mr. Ciano advised the Committee that he would be retiring in January, and introduced Denita Tyre who would succeed him in the role of external auditor for the University. With regard to current audit projects, Mr. Ciano reported the following:

- Operational Audit for the Fiscal Year 2014-2015. This audit is conducted at least every three (3) years, per statute. It has objectives relating to internal controls, compliance with State and university rule and regulations, and operational processes. Phil reported that the audit is complete and that Preliminary and Tentative findings have been delivered to university management and the Trustees. The university has responded to the findings, and the report should be released next week. Phil further stated that there are only a few comments in the report, but advised the Trustees to review the Scope and Methodology section of the report to see the level of coverage provided by the audit.
- Financial Statement Audit for the 2014-2015 fiscal year: This audit is conducted as part of a statewide audit, but a separate report is issued for the University of Florida. The audit should be completed and released by the end of January, 2016. A significant standard change in the governmental reporting model (GASB

#68) will require the recording and reporting of a liability for unfunded pension obligations. Data provided by the Florida Retirement System indicated a liability for the university of approximately \$225 million. Reporting the liability will have an impact on the statement and note presentation. Discussion ensued on the extent of explanation that will be provided in the notes, and how the liability will ultimately be funded.

- Federal Audit for the 2014-2015 fiscal year: This Federal Compliance audit is conducted and reported as part of a statewide audit. The audit will cover both the Student Financial Aid (~ \$300 million) and the Research and Development (\$300+ million) major program clusters. Federal regulations require the report to be issued by March 31, 2016 and Phil indicated that the report will likely be released during March 2016.

5.2 Internal Audits and Other Reviews

Chief Audit Executive Brian Mikell and Audit Director Joe Cannella of the OIA presented eight internal audit projects that had been issued since the last Committee meeting. The projects presented were:

- 1) UAA Financial Aid and Scholarships
- 2) UAA Controls Assessment
- 3) UF Alumni Association – Gator Clubs
- 4) Travel, Entertainment and Employee Reimbursements
- 5) Citrus Research and Development Foundation, Inc.
- 6) UFF Endowed Restricted Gifts
- 7) UFF Non-Endowed Restricted Gifts
- 8) President’s Travel and Entertainment Expenses (Jan 1 to June 30, 2015)

The reports and summary had been previously provided to the committee for detailed review. Each audit project was briefly discussed and questions from the committee were answered.

CAE Mikell also generally discussed some Management Advisory Projects that had been completed and issued.

5.3 Quarterly Follow-up

Audit Director Cannella of the OIA reported on the follow-up status of comments and action plans from previously issued internal and other audits. For the benefit of new committee members, he explained the purpose and objectives for the follow-up system and discussed some of the more significant action plans in detail.

5.4 Audits of Affiliated Organizations

The committee was provided information relating to audits of university affiliated organizations. This information was compiled by the general accounting and financial

reporting department of the Office of the Controller. University Controller Alan West discussed the schedules and management letter comments, and also answered questions from the committee.

5.5 2015-2016 Annual Audit Plan Revisions (OIA).

CAE Mikell explained the audit risk assessment process that leads to a three (3)-year work plan. The work plan is a fluid document and is adjusted every six months based on changing risks and resource constraints. FY 2015-2016 is year three (3) of this plan, and mid-year adjustments to the year's plan were presented and discussed with the committee. The committee authorized the changes as presented.

5.6 - 2014-2015 OIA Annual Report

CAE Mikell presented the highlights of the Annual Report. Full copies of the report were distributed to committee members.

5.7 – Committee and OIA Charters

Committee Chair Edwards briefly discussed that the Charter discussion would be deferred to a future meeting.

6.0 New Business

There was no New Business to discuss.

7.0 Adjourn

The Committee on Audit and Operations Review adjourned at 1:47 p.m. EDT.

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

UNIVERSITY OF FLORIDA



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, the following individuals served as Members of the Board of Trustees or University President:

Dr. Steven M. Scott, Chair
David M. Thomas, Vice Chair
David L. Brandon
C. David Brown, II, to 2-04-15 ^a
Susan M. Cameron
Christopher T. Corr
Dr. Paul W. Davenport from 4-01-15 ^b
Charles B. Edwards
James W. Heavener
Dr. Pradeep Kumar to 3-31-15 ^b
Joselin Padron-Rasines from 5-01-15 ^c
Rahul Patel from 2-05-15
Carolyn K. Roberts to 3-18-15 ^a
Dr. Jason J. Rosenberg
Juliet Murphy Roulhac to 2-04-15 ^a
Robert G. Stern from 2-05-15
Cory M. Yeffet to 4-30-15 ^c
Anita G. Zucker from 3-9-15

Dr. J. Bernard Machen, President, to 12-31-14

Dr. W. Kent Fuchs, President, from 1-01-15

Notes: ^a Board member served beyond the end of the term, January 6, 2015.
^b Faculty senate chair.
^c Student body president.

The audit team leader was Debra L. Hulse, CPA, and the audit was supervised by Philip B. Ciano, CPA.

For the information technology portion of this audit, the audit team leader was Vikki S. Mathews, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

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

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UNIVERSITY OF FLORIDA

SUMMARY

This operational audit of the University of Florida (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2014-044. Our audit disclosed the following:

Finding 1: The University needs to enhance procedures for classifying students as Florida residents for tuition purposes in accordance with State law.

Finding 2: The University's procedures for canceling purchasing card privileges need improvement.

BACKGROUND

The University of Florida (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The faculty senate chair and student body president also are members.

The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and Board of Governors' Regulations. The University President is selected by the Trustees and confirmed by the Board of Governors. 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 for the University.

This operational audit focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2014-044. The results of our financial audit of the University for the fiscal year ended June 30, 2015, will be presented in a separate report. In addition, the Federal awards administered by the University are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2015, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Florida Residency

State law¹ provides that, for tuition assessment purposes, universities classify students as Florida residents or nonresidents. State law² also requires universities to classify as Florida residents students

¹ Section 1009.21, Florida Statutes.

² Section 1009.21(10)(e), Florida Statutes.

who are from Latin American and Caribbean countries and receive scholarships from the Federal or State Government.

During the 2014-15 fiscal year, the University collected \$522 million in tuition and fees. Selected tuition and fees rates for residents and nonresidents are shown in Table 1.

Table 1
Tuition and Fees for Residents and Nonresidents
For the 2014-15 Fiscal Year

Tuition and Fees Category	Rate for Residents	Rate for Nonresidents
Undergraduate	\$210 semester hour	\$953 semester hour
Graduate	\$528 semester hour	\$1,253 semester hour
Master of Laws in Taxation	\$814 semester hour	\$1,459 semester hour
Veterinary Medicine	\$14,348 semester	\$24,835 semester

Source: University records.

During the 2014-15 fiscal year, 686 students had residency status changes from nonresident to resident or were classified as temporary Florida residents. As part of our audit, we examined University records documenting the residency status for 30 of these students. We found that 3 students from a Latin American or Caribbean country were each awarded a \$500 academic scholarship from University State-appropriated educational and general or contracts and grants residual funds; however, the students had not received a scholarship from the Federal or State Government to qualify them for a Florida resident tuition rate.

We expanded our procedures and examined records for an additional 115 students classified as Florida residents. Our expanded procedures identified another 73 students who were from a Latin American or Caribbean country and received certain scholarships from the University. Specifically:

- 45 students received Latin American Caribbean scholarships from the University.
- 16 students received scholarships to pay for textbooks.
- 12 students received a Latin American Tax Scholarship from the College of Law.

However, none of the 73 students had received a scholarship from the Federal or State Government.

In response to our inquiry, University personnel indicated that, since universities are part of the State Government, funds paid from State-appropriated educational and general funds and contracts and grants residual funds should be considered State scholarships. However, as addressed in State law, State scholarships appear to be scholarships provided by the State of Florida, such as those set forth in Part III of Chapter 1009, Florida Statutes, and not scholarships paid from University funds, regardless of the funds' source. The classification of these 76 students as Florida residents for tuition purposes resulted in the University collecting \$691,000 less student fee revenue than it would have if the students had been classified as nonresidents for tuition purposes.

Recommendation: If it is the University's intent to continue classifying students who are from a Latin American or Caribbean country as Florida residents for tuition purposes when such students are not awarded State scholarships but are awarded scholarships from University funds, the University should seek guidance from the Board of Governors as to whether this practice is allowable under State law.

Follow-up to Management's Response

The University's response indicates that "the University has determined that the authority to use education and general funds and contracts and grant funds for student scholarship payments comes from Section 1009.21(10)(e) Florida Statutes." The legislative history of Section 1009.21(10)(e), Florida Statutes, however, makes clear that the State scholarships referenced therein were awarded under a scholarship program that was repealed by Chapter 2002-387, Laws of Florida, and no longer exists. Since the scholarships in question are not specifically authorized in statute, and University records did not evidence the documented basis for classifying the students receiving the scholarships as Florida residents for tuition purposes, we continue to recommend that the University seek guidance from the Board of Governors.

Finding 2: Purchasing Cards

The University administers a purchasing card (P-card) program that gives employees the convenience of purchasing items without using the standard purchase order process. The University established a P-card Administrative Team (P-card Team) that has responsibilities for issuing new P-cards, canceling P-cards of terminated employees, monitoring P-card transactions, and providing P-card training. The University's P-card policies and procedures require that cardholders separating from employment with the University stop using the P-card immediately and that the departments of separating employees e-mail the P-card Team as soon as possible and provide them with the employee's name, identification number, and reason why the P-card is being canceled. Additionally, department supervisors are to conduct exit interviews using employee exit checklists that instruct the employees to return their P-cards and remind supervisors to direct the P-card Team to cancel the P-cards whether or not the P-cards are returned. The agreement between the University and the bank that administers the P-card program allows the University 30 days to dispute fraudulent charges.

As of April 6, 2015, the University had 5,065 active P-cards and, during the period July 1, 2014, through April 6, 2015, 206 employees who had been assigned P-cards separated from University employment. We examined University documentation to determine whether the P-cards had been timely canceled upon the cardholders' employment separation and found that the University had not timely canceled the P-cards assigned to 46 of the former employees. Specifically, the P-cards for 42 former employees were not canceled until after our inquiry in April 2015, or 11 to 287 days after the employees' separation dates. The University had canceled the P-cards for the other 4 former employees prior to our inquiry; however, the P-cards were not canceled until 25 to 133 days after the employees' separation dates. University personnel attributed the untimely P-card cancellations, in part, to department delays in notifying the P-card Team of cardholder employment separations and P-card Team oversights.

We also examined the P-card activity of the 46 former employees who did not have their P-cards timely canceled and identified 21 transactions totaling \$1,301 that were recorded after the employees' separation dates. The 21 transactions related to 7 former employees' P-cards and were recorded 9 to 168 days after the employees' separation dates. Further inquiry and review disclosed that appropriate personnel had approved the transactions and that the transactions were for appropriate uses of University funds, such as automatic charges for the monthly rental of oxygen cylinders, and field supplies for postgraduate students who were no longer employed by the University but continued to perform research

for their professor. While our tests of P-card transactions did not disclose any inappropriate charges or fraud, untimely cancellation of P-card privileges increases the risk that such privileges could be misused by former employees or others, and the University's ability to satisfactorily resolve disputed charges may be limited.

Recommendation: We recommend that the University strengthen procedures to ensure that P-card privileges are timely canceled upon a cardholder's separation from University employment.

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for the findings included in our report No. 2014-044.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational 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.

We conducted this operational audit from April 2015 to September 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2014-044.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining

significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of records and transactions. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed the University's written information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions.
- Reviewed University procedures for maintaining and reviewing access to IT resources to determine the appropriateness and necessity of the access based on the employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined administrator account access privileges granted and procedures for oversight of administrator accounts for the operating system, database, and application to determine whether these accounts had been appropriately assigned and managed. Specifically, we:
 - Reviewed the adequacy of all operating system administrative access privileges (43 accounts).
 - Reviewed the adequacy of all database administrator roles for the enterprise resource planning (ERP) finance (4 accounts) and human resource (3 accounts) application databases.
 - Reviewed the adequacy of all administrator access privileges for the ERP applications (2 accounts).
- Made inquiries and reviewed University documentation to determine whether the University provided for an alternate disaster recovery site.
- Evaluated operating system, database, network and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Reviewed procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.

- Examined Board, committee, and advisory board minutes for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, ready access to the public, and maintenance of minutes).
- Examined University records to determine whether the University had informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information, as required by Section 1006.695, Florida Statutes.
- Examined University records to determine whether the University had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, examined University records to determine whether the University had implemented appropriate and sufficient procedures to comply with its anti-fraud policies.
- Analyzed the unencumbered available balances in the education and general funds of the University Board of Trustees' approved operating budget to determine whether the balance was below 5 percent of the total available fund balance at June 30, 2015. Performed analytical procedures to determine whether financial transactions in other funds required resources from other unrestricted funds that would cause a significant reduction in available unencumbered balance in the education and unrestricted State appropriated funds.
- From the population of 175 payments totaling \$9.2 million made by the University to its direct-support organizations during the period July 1, 2014, through March 31, 2015, selected 19 payments totaling \$8.6 million for verification that the payments, transfers, and loans were authorized by Section 1004.28(1)(a)2 and (2), Florida Statutes.
- Examined University accounting records and documentation to determine whether student receivables were properly authorized, adequately documented, properly recorded, and complied with Section 1010.03, Florida Statutes, and Board Regulation No. 3.037. Specifically, we examined:
 - From a population of 22,448 student receivables totaling \$47.3 million as of May 22, 2015, documentation relating to 30 student receivables totaling \$392,370.
 - From the population of 1,778 delinquent student receivables totaling \$3 million as of May 22, 2015, documentation relating to 25 delinquent student receivables totaling \$282,000 to determine whether collection efforts were adequate, and whether restrictions on student records and holds on transcripts and diplomas were adequate and enforced.
- From a population of 797 student fee deferments totaling \$1.2 million, evaluated whether 10 deferments totaling \$130,000 were properly authorized, documented, and within limits required by Section 1009.27, Florida Statutes, Board of Governors Regulation 7.002(2), and University Regulation 3.037(7).
- Evaluated whether the University had adequate procedures to document Florida residency in compliance with Sections 1009.21 and 1009.24, Florida Statutes, and Board of Governors Regulation 7.005.
- Reviewed payments from tuition differential fees collected to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
- From the population of 426 distance learning courses with fee revenue totaling \$4.1 million during the 2014-15 fiscal year, we examined 25 distance learning courses with fee revenue totaling \$77,250 to determine whether distance learning fees were properly assessed and collected and were separately accounted for and retained by the University as provided by Section 1009.24(17), Florida Statutes.

- From 129 decentralized locations with total collections of \$683 million, selected 4 locations with total collections of \$6.7 million and tested the locations' daily cash collections to evaluate the effectiveness of the University's collection procedures.
- Reviewed University procedures for monitoring contracts for auxiliary operations, including commission revenues, and performed analytical procedures to determine whether the operations were self-supporting.
- Evaluated University policies and procedures regarding textbook affordability for compliance with Section 1004.085, Florida Statutes. From a population of 200 educational departments, applied analytical procedures to determine whether the textbooks for 18 departments with 1,761 class sections were timely listed on the University's Web site during the 2014-15 fiscal year.
- Reviewed the University's policies and procedures for payment of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and Board regulations. From the population of 1,395 former employees who were paid \$10.1 million for terminal leave pay during the period July 1, 2014, through June 30, 2015, we selected and examined terminal leave payments totaling \$249,000 made to 5 former employees and evaluated the payments for compliance with Section 110.122, Florida Statutes, and Board Regulation No. 1.201.
- Reviewed the severance pay provision in the President's contract to determine whether the provision complied with Section 215.425(4), Florida Statutes.
- From a population of 46 severance payments totaling \$523,304 made to employees during the period July 1, 2014, through May 31, 2015, selected and examined severance payments totaling \$283,854 that were made to 21 former employees to determine whether the payments complied with State law and Board policies.
- Reviewed administrative employees' compensation to determine whether the amounts paid did not exceed limits provided in Sections 1012.975(3) and 1012.976(2), Florida Statutes.
- Reviewed the University's policies and procedures for obtaining background screenings for University employees. Examined University records to determine whether employees in sensitive positions, such as positions in direct contact with minors, had undergone the appropriate background screenings.
- Reviewed the University's policies and procedures to evaluate whether the University's processes ensured health insurance coverage was provided only to eligible employees, retirees, and dependents and that such insurance was timely canceled upon employee termination. Also, determined whether the University had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- Reviewed the University's policies and procedures for supervisory approval of time worked and leave used by noninstructional and administrative employees to evaluate whether compensation payments were appropriate and leave balances were accurate.
- Examined University expenditure documentation to determine whether expenditures were reasonable, correctly recorded, adequately documented, for a valid University purpose, properly authorized and approved, and in compliance with applicable State law, rules, contract terms, and Board policies, and applicable vendors were properly selected and carried adequate insurance. From the population of expenditures totaling \$407 million, during the period July 1, 2014, through March 31, 2015, we examined:
 - Documentation relating to 30 payments for general expenditures totaling \$98,000.
 - Documentation relating to 15 purchasing card transactions totaling \$83,000.
 - Documentation relating to 20 payments totaling \$5.6 million related to 20 agreements for contractual services totaling \$10.3 million.

- Scanned purchasing card (P-card) transactions to identify P-card transactions that may not have been made in accordance with University policies and procedures.
- Applied analytical procedures and examined University records to determine whether the P-cards for former employees were timely canceled when the cardholders separated from University employment.
- From a population of 12,557 payments totaling \$2.8 million made to employees for other than travel reimbursements during the period from July 1, 2014, through March 31, 2015, selected and examined documentation for 12 payments totaling \$100,000 to determine whether such payments were reasonable, adequately supported, and for valid University purposes. For payments made to an additional 30 employees, we examined documentation to determine whether such payments related to employees doing business with the University, contrary to Section 112.313, Florida Statutes.
- Reviewed University policies and procedures related to identifying potential conflicts of interest. For selected University officials, reviewed Department of State, Division of Corporation records; statements of financial interest; and University records to identify any potential relationships that represent a conflict of interest with vendors used by the University.
- From 11 major construction projects in progress during the 2014-15 fiscal year with contract amounts totaling \$362 million, selected and examined 10 payments totaling \$15.7 million related to 4 projects with contract amounts totaling \$195 million to determine whether the payments were made in accordance with contract terms and conditions, University policies and procedures, and provisions of applicable State laws and rules.
- Reviewed documentation related to two construction projects with construction costs totaling \$118 million to determine whether the University adequately monitored the selection process of design professionals, construction managers, and subcontractors.
- From the population of Public Education Capital Outlay and other restricted capital outlay payments totaling \$95.6 million during the period July 1, 2014, through March 31, 2015, selected and examined documentation supporting 10 payments totaling \$15.7 million to determine whether expenses complied with restrictions imposed on the use of these resources.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each University on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Office of the Vice President
and Chief Financial Officer

1 Tigert Hall
P O Box 113240
Gainesville, FL 32611-3240
352-392-2402 Telephone
352-846-3546 Fax

November 20, 2015

Sherrill F. Norman, CPA
Auditor General
Office of the Auditor General
111 West Madison Street
G74 Claude Pepper Building
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Attached are responses to the University of Florida's preliminary and tentative operational audit findings for the fiscal year ended June 30, 2015.

Your staff's assistance is greatly appreciated.

Sincerely,

A handwritten signature in blue ink that reads 'Michael V. McKee'.

Michael V. McKee
Vice President and Chief Financial Officer

Attachments

cc: Dr. Kent Fuchs, President, University of Florida
University of Florida Board of Trustees
Dr. Joseph Glover, Provost and Sr. Vice President for Academic Affairs
Ms. Jamie Lewis Keith, Vice President and General Counsel
Ms. Paula Varnes Fussell, Vice President, Human Resource Services
Mr. Alan West, Asst. Vice President and University Controller
Mr. Brian Mikell, Chief Audit Executive

The Foundation for The Gator Nation
An Equal Opportunity Institution

Florida Residency

Recommendation 1: If it is the University's intent to continue classifying students who are from a Latin American or Caribbean country as Florida residents for tuition purposes when such students are not awarded State scholarships but are awarded scholarships from University funds, the University should seek guidance from the Board of Governors as to whether this practice is allowable under State law.

University's Response: The University has determined that the authority to use education and general funds and contracts and grant funds for student scholarship payments comes from Section 1009.21(10)(e) Florida Statutes. Similar to other SUS Universities, our interpretation is that the State Statute supports that a Federal or State government can fund these scholarships. Therefore, our scholarship funds qualify under the Latin American and Caribbean provision in this residency section of the Statute.

In addition, the SUS Board of Governors is working to adopt a regulation that would support this practice.

Responsible Auditee: Dr. Joseph Glover, Provost and Sr. Vice President for Academic Affairs
Michael V. McKee, Vice President and Chief Financial Officer

Purchasing Cards

Recommendation 2: We recommend that the University strengthen procedures to ensure that P-card privileges are timely canceled upon a cardholder's separation from University employment.

University Response: The University has already re-established long standing procedures to identify terminated employees that have active P-cards for a timely cancelation of those cards. The University continues to enhance internal controls to reasonably ensure timely cancelation of P-cards by improving direction education efforts with departments responsible for notifying the Purchasing Division when a cardholder terminates employment.

Responsible Auditee: Michael V. McKee, Vice President and Chief Financial Officer

UF

ANNUAL FINANCIAL REPORT
2014-2015

UNIVERSITY *of*
FLORIDA



OUR ASPIRATION:

The University of Florida
will be a premier university
that the state, nation and
world look to for leadership.



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INTRODUCTION FROM THE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

I am pleased to present the University of Florida Annual Financial Report for the fiscal year ended June 30, 2015. This report includes Management’s Discussion and Analysis (MD&A), financial statements, and notes to the financial statements which provide useful information concerning the University’s financial position and activities for the year. A summary is provided in the Financial Highlights section of the MD&A on page six.

The mission of the Office of the Vice President and Chief Financial Officer is to “*Provide leadership in financial planning, decision making and process improvement.*” We continually seek opportunities that allow us to implement our mission and return monies back to units accomplishing the University’s missions of education, research and public service. Highlights of some of our accomplishments include:

- In an effort to help improve business intelligence tools, “myinvestiGator” was created. This is a web-based, intuitive, easy to use decision making tool to help faculty and staff track the nearly \$700 million in annual research funding at the University of Florida. The estimated annual time and effort savings from the creation of myinvestiGator is approximately \$5 million.
- We continue to implement a managed print solution for campus. This solution has a multiyear rolling implementation timeframe that will encompass copiers, fax machines, scanners and printers. Estimated annualized savings accruing to the user units of approximately \$1.1 million are expected to continue from this implementation.
- We have established the Business Process Improvement Office that seeks to find ways to improve, streamline and simplify the way we do business at the University.
- Our Gator Business Administrator Services program provides professional development opportunities and resources to assist business administrators in their roles at UF. This program continues to grow in scope of service offerings as well as number of participants.

In addition to the business processes improvements and efforts noted above, fiscal year 2015 included the completion or near completion of several major construction projects:

- Heavener Hall - houses the undergraduate program for the Warrington College of Business;

- Cypress Hall - a residence hall designed for undergraduate students and students with disabilities; and
- Several renovation projects on various residence halls.

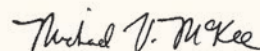
Construction continues on several major projects including the George T. Harrell, MD Medical Education Building, and the J. Wayne Reitz Union construction and renovation project. The Harrell Medical Education Building, expected to be completed in 2016, is named after the College of Medicine’s founding dean and aspires to be a national model for active learning and medical simulation. The Reitz Union project is expected to be completed later this year. The dramatic expansion and renovation project adds 100,000 square feet of new space for student clubs and organizations, quiet study spaces, lounges and dance rehearsal studios.

The University enterprise continues to advance its mission with UF Health constructing two new hospital towers in Gainesville and one in Jacksonville. The University Athletic Association has completed work on an indoor practice facility and continues work on renovations to the Office of Student Life. In addition, much needed renovations to the Stephen O’Connell Center, jointly funded by UF and the University Athletic Association, are scheduled to begin in the spring of 2016. The University of Florida Foundation continues to raise essential private funds that help advance the mission of UF. Finally, the research enterprise led by the Office of Research and the University of Florida Research Foundation has continued to grow and expand the business of scholarly research.

The State of Florida has continued its investment in higher education by providing new performance funding as well as additional funding for the preeminence initiative enabling the University to add new faculty. In addition, the State appropriated \$13 million for the Nuclear Science Building renovations (NEXUS Engineering Addition).

We remain steadfast in our commitment to invest in the best solutions and successes for educating current and future generations.

Sincerely,



Michael V. McKee
Vice President and Chief Financial Officer



GEORGE T. HARRELL, M.D.
MEDICAL EDUCATION
BUILDING



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 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 opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units, are 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Florida and of its aggregate discretely presented component units as of June 30, 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.

Report on Partial Comparative Information

We have previously audited the University of Florida's 2013-14 fiscal year financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2014. In our opinion, the partial comparative information

presented as of and for the fiscal year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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. Additionally, University management determined that the University of Florida Self-Insurance Program and the University of Florida Healthcare Education Insurance Company, previously reported as blended component units, should be reported as discretely presented component units, which is a change in reporting entity. These changes affect 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 these matters.

Other Matters

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, and Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, 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 Information

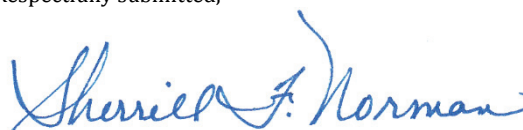
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Florida's basic financial statements. The Introduction from the Vice President and Chief Financial Officer is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The Introduction from the Vice President and Chief Financial Officer has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the University of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 17, 2016
Audit Report No. 2016-098

MANAGEMENT'S DISCUSSION AND ANALYSIS

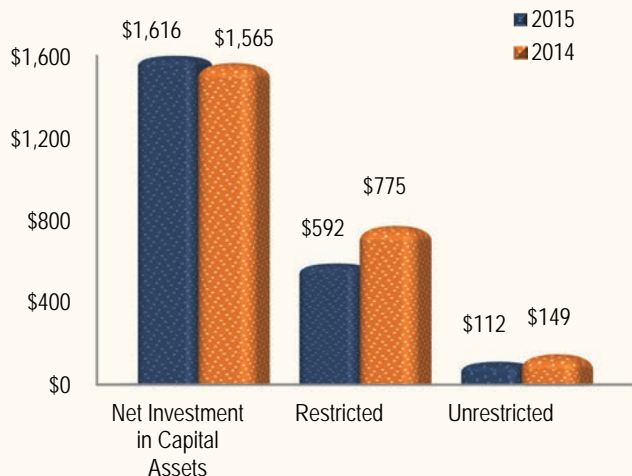
From the Vice President and Chief Financial Officer

Introduction and Background

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida (the University) for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, 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.

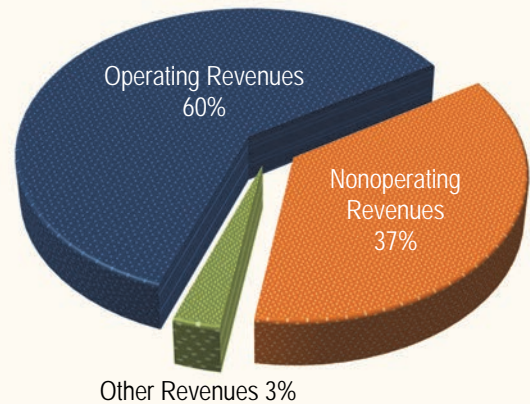
Financial Highlights

The University's assets totaled \$3.5 billion at June 30, 2015. This balance reflects a \$252.3 million, or 7.8%, increase from the 2013-14 fiscal year. The increase in assets resulted primarily from an increase in construction projects as well as an increase in total investments. While total assets increased, liabilities also increased by \$369.6 million, or 49%, totaling \$1,123.6 million at June 30, 2015, primarily as a result of the addition of the net pension liability. The University's net position decreased by \$168.8 million, or 6.8%, resulting in a year-end balance of \$2.32 billion. 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 comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, are shown in the following chart:



The University's operating revenues totaled \$1.7 billion for the 2014-15 fiscal year, representing a 4.5% increase over the 2013-14 fiscal year. Major components of operating revenues are Student Tuition and Fees and Grants and Contracts. Student Tuition and Fees, Net of Scholarship Allowances, increased \$17.5 million, or 4.9%. Grants and Contracts revenue increased by \$60.5 million, or 5.4%.

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



Operating expenses totaled \$2.6 billion for the 2014-15 fiscal year, representing a \$138.4 million, or 5.6%, increase compared to the 2013-14 fiscal year. The two largest categories contributing to this increase were Employee Compensation and Benefits and Services and Supplies.

Net nonoperating revenues and expenses in the 2014-15 fiscal year increased \$180.3 million. Noncapital Grants, Contracts, and Gifts increased by \$180.2 million due to increased transfers from component units as a result of the University's cash consolidation initiative.

The University had significant construction activity during the year. Construction began or continues on several major projects, including four that, when completed, will be capitalized at over \$252.3 million: (1) Reitz Union Expansion and Renovation; (2) Chemistry/Chemical Biology Building; (3) Stephen O'Connell Center Renovation and Addition; and (4) NEXUS Engineering Addition.

Overview of Financial Statements

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

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. Net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The 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. GASB Statement No. 35 categorizes revenues and expenses 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 majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or the natural classifications. The University has chosen to report the expenses in their natural classifications on the Statement of Revenues, Expenses, and Changes in Net Position and has displayed the functional classifications below and in the notes to the financial statements.

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

Other Revenues, Expenses, Gains or Losses is composed of Capital State Appropriations and Capital Grants, Contracts, and Donations.

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 assists in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities reflect the net cash used by the operating activities of the University. Cash flows from capital and related financing activities include activities of the capital funds and related long-term debt. Cash flows from investing activities reflect the net source and use of cash related to the purchases and sales of investments and income earned on those investments. Cash flows from noncapital financing activities include those activities not covered in the other sections.

The University's basic financial statements include discretely presented component units categorized as follows:

Direct-Support Organizations – These are separate, not-for-profit corporations organized and operated exclusively to assist the University in achieving excellence by providing supplemental resources from private gifts, bequests, and valuable education support services.

Health Science Center Affiliates – These are the several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center, including the Faculty Practice Plans.

Shands Hospital and Others – This includes Shands Teaching Hospital and Clinics, Inc., a not-for-profit corporation that is contractually obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the Health Science Center at the University of Florida.

The University of Florida Self-Insurance Program and the University of Florida Healthcare Education Insurance Company are included in this category. In prior years, both of these organizations were blended with the University but are now reported as discretely presented component units.



Statement of Net Position

The following table 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 <i>(in millions)</i>		
	2015	2014
Assets:		
Current Assets	\$ 1,425.7	\$ 1,338.5
Capital Assets, Net	1,796.2	1,714.7
Other Noncurrent Assets	273.2	189.6
Total Assets	3,495.1	3,242.8
Deferred Outflows of Resources	108.8	-
Total Assets and Deferred Outflows of Resources	3,603.9	3,242.8
Liabilities:		
Current Liabilities	376.9	214.9
Noncurrent Liabilities	746.7	539.1
Total Liabilities	1,123.6	754.0
Deferred Inflows of Resources	160.3	-
Total Liabilities and Deferred Inflows of Resources	1,283.9	754.0
Net Position:		
Net Investment in Capital Assets	1,616.0	1,565.3
Restricted	591.9	774.9
Unrestricted	112.1	148.6
Total Net Position	\$ 2,320.0	\$ 2,488.8

The increase in assets resulted primarily from an increase in construction in progress as well as total investments, which increased by \$94.8 million and \$168.8 million, respectively. Investments grew as a result of the University's cash consolidation initiative. As part of this initiative, the University of Florida Foundation, Inc., transferred the ownership of approximately \$165.0 million in non-endowed funds to the University during the 2014-15 fiscal year. In addition, the University started to invest additional funds from various component units during the 2014-15 fiscal year. The increase in current liabilities primarily relates to instances whereby the ownership of the funds was not transferred to the University. The University reports this liability as Due to Component Units.

The large increase in noncurrent liabilities is primarily due to the addition of the \$219.9 million net pension liability following the adoption of 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 reported deferred outflows of resources and deferred inflows of resources are a result of the University's implementation of GASB Statement No. 68.

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes the University's activity for the 2014-15 and 2013-14 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position <i>(in millions)</i>		
	2014-15	2013-14
Operating Revenues	\$ 1,735.3	\$ 1,659.9
Operating Expenses	(2,594.3)	(2,455.9)
Operating Loss	(859.0)	(796.0)
Net Nonoperating Revenues	1,034.8	854.5
Income Before Other Revenues, Expenses, Gains, or Losses	175.8	58.5
Other Revenues, Expenses, Gains, or Losses	86.2	61.3
Increase in Net Position	262.0	119.8
Net Position, Beginning of Year	2,488.8	2,369.0
Adjustments to Beginning Net Position	(430.8)	-
Net Position, Beginning of Year, as Restated	2,058.0	2,369.0
Net Position, End of Year	\$ 2,320.0	\$ 2,488.8

The University's Net Position decreased by \$168.8 million, primarily due to the addition of the net pension liability. Beginning Net Position was adjusted due to the implementation of GASB Statement No. 68 and the change in reporting of the University of Florida Self-Insurance Program and the University of Florida Healthcare Education Insurance Company. These entities were included within the University reporting entity as blended component units in prior fiscal years but were reported as discretely presented component units for the 2014-15 fiscal year.

Operating Revenues

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

Operating Revenues (in millions)		
	2014-15	2013-14
Grants and Contracts	\$ 1,176.2	\$ 1,115.7
Student Tuition and Fees, Net of Scholarship Allowances	376.2	358.7
Sales and Services of Auxiliary Enterprises	126.1	129.9
Sales and Services of Educational Departments	52.1	52.0
Other	4.7	3.6
Total Operating Revenues	\$ 1,735.3	\$ 1,659.9

Increases in operating revenues during the 2014-15 fiscal year resulted primarily from increases in awards of Federal Grants and Contracts and Nongovernmental Grants and Contracts, which increased by \$20.6 million and \$39.9 million, respectively.

Operating Expenses

The following table summarizes the operating expenses for each method of classification for the 2014-15 and 2013-14 fiscal years:

Operating Expenses (in millions)		
Natural Classifications	2014-15	2013-14
Employee Compensation and Benefits	\$ 1,811.8	\$ 1,724.9
Services and Supplies	496.4	472.5
Depreciation	134.5	123.1
Scholarships, Fellowships and Waivers *	83.9	78.4
Utilities and Communications	67.7	62.8
Self-Insured Claims and Expenses	-	(5.8)
Total Operating Expenses	\$ 2,594.3	\$ 2,455.9
Functional Classifications	2014-15	2013-14
Instruction	\$ 716.3	\$ 686.8
Research	606.1	584.7
Public Service	475.7	432.1
Academic Support	176.2	167.2
Institutional Support	164.4	162.3
Depreciation	134.5	123.1
Auxiliary Operations	118.6	112.3
Operation and Maintenance of Plant	104.6	94.9
Scholarships, Fellowships and Waivers *	61.5	56.7
Student Services	36.4	35.8
Total Operating Expenses	\$ 2,594.3	\$ 2,455.9

* Net of Scholarship Allowances of \$146.2 million in the 2014-15 fiscal year and \$149.8 million in the 2013-14 fiscal year.

Operating expenses increased primarily due to an \$86.9 million increase in Employee Compensation and Benefits related to an increase in Other Postemployment Benefits Payable and pay raises.

Nonoperating Revenues and Expenses

The following table summarizes the University's nonoperating revenues and expenses for the 2014-15 and 2013-14 fiscal years:

Nonoperating Revenues (Expenses) (in millions)		
	2014-15	2013-14
Noncapital State Appropriations	\$ 643.6	\$ 605.9
Federal and State Student Financial Aid	115.8	117.0
Noncapital Grants, Contracts, and Gifts	262.2	82.0
Investment Income, Net of Expenses	30.5	33.9
Increase (Decrease) in Fair Market Value of Investments	(1.1)	32.5
Loss on Disposal of Capital Assets	(2.4)	(2.7)
Interest on Capital Asset-Related Debt	(8.6)	(8.0)
Other Net Nonoperating Expenses	(5.2)	(6.1)
Net Nonoperating Revenues	\$ 1,034.8	\$ 854.5

The increase in Net Nonoperating Revenues of \$180.3 million resulted primarily from increases in Noncapital State Appropriations and Noncapital Grants, Contracts, and Gifts, which are partially offset by a decrease in the fair market value of investments.

Other Revenues, Expenses, Gains, or Losses

The following table summarizes the University's other revenues, expenses, gains, or losses for the 2014-15 and 2013-14 fiscal years:

Other Revenues, Expenses, Gains, or Losses (in millions)		
	2014-15	2013-14
Capital State Appropriations	\$ 54.2	\$ 43.6
Capital Grants, Contracts, and Donations	32.0	17.7
Total Other Revenues, Expenses, Gains, or Losses	\$ 86.2	\$ 61.3

Statement of Cash Flows

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

Condensed Statement of Cash Flows <i>(in millions)</i>		
	2014-15	2013-14
Cash Provided (Used) by:		
Operating Activities	\$ (662.7)	\$ (633.0)
Noncapital Financing Activities	1,162.4	770.0
Capital and Related Financing Activities	(176.3)	(58.3)
Investing Activities	(321.3)	(78.8)
Net Increase (Decrease) in Cash and Cash Equivalents	2.1	(0.1)
Cash and Cash Equivalents, Beginning of Year	0.2	0.3
Cash and Cash Equivalents, End of Year	<u>\$ 2.3</u>	<u>\$ 0.2</u>

Major sources of funds came from Grants and Contracts (\$1,202.6 million), Noncapital State Appropriations (\$643.6 million), Student Tuition and Fees, Net (\$380 million), and Sales and Services of Auxiliary Enterprises (\$128.3 million). Major uses of funds were for Payments to Employees (\$1,788.4 million), Payments to Suppliers for Goods and Services (\$558.7 million), and the Purchase or Construction of Capital Assets (\$200.5 million).

Capital Assets, Capital Expenses and Commitments, and Debt Administration

CAPITAL ASSETS

At June 30, 2015, the University had approximately \$3.7 billion in capital assets, less accumulated depreciation of \$1.9 billion, for net capital assets of \$1.8 billion. Depreciation charges for the current fiscal year totaled \$134.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Total Capital Assets, Net <i>(in millions)</i>		
	2015	2014
Land	\$ 11.9	\$ 11.3
Buildings	1,261.1	1,277.0
Infrastructure and Other Improvements	51.1	47.0
Furniture and Equipment	180.8	182.9
Library Resources	51.9	53.9
Property Under Capital Lease and Leashold Improvements	9.8	7.9
Other Capital Assets	4.4	4.3
Construction in Progress	225.2	130.4
Total Capital Assets (Nondepreciable and Depreciable, Net)	\$ 1,796.2	\$ 1,714.7

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses were incurred on the following ongoing projects for the fiscal year ended June 30, 2015: Reitz Union Expansion and Renovation (\$29.6 million); Harrell Medical Education Building (\$23.4 million); Cypress Hall – Single Student Housing (\$12.7 million) and Chemistry/Chemical Biology Building (\$11.0 million).

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

Major Capital Commitments <i>(in millions)</i>	
	Amount
Total Commitments	\$ 596.5
Completed to Date	225.2
Balance Committed	\$ 371.3

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



DEBT ADMINISTRATION

At June 30, 2015, the University had \$184.3 million in outstanding Capital Asset-Related Debt, representing a decrease of \$15.1 million, or 7.6%, from the prior fiscal year. The following table summarizes the outstanding capital asset-related debt by type of debt at June 30:

Capital Asset-Related Debt (in millions)		
	2015	2014
Capital Improvement Debt	\$ 167.2	\$ 181.6
Loans and Notes	11.2	11.5
Installment Purchase Agreements	3.1	3.4
Capital Leases	2.8	2.9
Total Capital Asset-Related Debt	\$ 184.3	\$ 199.4

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

Economic Factors That Will Affect the Future

The University's economic condition is closely tied to that of the State of Florida. The Florida Economic Estimating Conference held on July 17, 2015, revealed the State's economy is growing at a slow to moderate pace. The forecast suggests overall stability for the Florida economy, with modest, yet uneven growth in all of the key economic indicators – personal income, employment, housing starts, light vehicle registrations and tourism. With job growth and increased reasons for optimism in the labor market, the State's unemployment rate continues to improve. The forecast expects the downward trend

to continue towards a long-term rate of unemployment around 4.9%. Housing starts, light vehicle registrations and tourism are all on an upward growth trend and the forecast expects this trend to continue.

The modest economic conditions are reflected in the University's \$30.4 million increase in State Appropriations for the coming fiscal year. The State budget for the 2015-2016 fiscal year includes, for the University, \$39.8 million in performance funding allocation and a reduction of \$7.1 million in other non-recurring items. An additional \$5 million was added to the preeminence initiative enabling the University to add new faculty.

Major Capital State Appropriations include \$13 million for the Nuclear Science Building renovations and a new boiler installation.

The 2015-2016 fiscal year budget reflects the sustained commitment of the Legislature and the Governor to support the University of Florida in its quest to become one of the nation's top ten public research universities.

Requests for Information

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Alan M. West, Assistant Vice President and University Controller, P.O. Box 113200, Gainesville, Florida 32611.



STATEMENT OF NET POSITION as of June 30, 2015 (amounts expressed in thousands)

	University of Florida		Component Units		
	2015	2014	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 1)	\$ 2,286	\$ 152	\$ 17,439	\$ 84,182	\$ 127,050
Investments (Note 4)	1,247,153	1,161,021	65,638	12,121	394,331
Accounts Receivable, Net (Note 5)	80,001	96,630	112,890	50,306	276,025
Loans and Notes Receivable, Net (Note 5)	2,983	2,787	-	-	-
Due From State (Note 6)	65,305	45,977	-	-	3,378
Due From Component Units/University (Note 7)	20,580	25,138	178,949	45,583	105,849
Inventories (Note 8)	4,580	4,690	52	-	28,037
Other Current Assets	2,765	2,130	10,303	2,825	42,139
Total Current Assets	1,425,653	1,338,525	385,271	195,017	976,809
Noncurrent Assets:					
Restricted Cash and Cash Equivalents (Note 1)	14	14	23,767	-	21,108
Restricted Investments (Note 4)	95,891	152,510	1,684,613	11,781	663,292
Other Noncurrent Investments (Note 4)	139,276	-	-	-	-
Loans and Notes Receivable, Net (Note 5)	37,993	36,975	-	-	-
Depreciable Capital Assets, Net (Note 9)	1,554,905	1,568,905	173,026	62,481	799,771
Nondepreciable Capital Assets (Note 9)	241,259	145,860	101,256	3,803	144,669
Other Noncurrent Assets	70	63	53	3,403	127,586
Total Noncurrent Assets	2,069,408	1,904,327	1,982,715	81,468	1,756,426
TOTAL ASSETS	3,495,061	3,242,852	2,367,986	276,485	2,733,235
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Pension Resources (Note 11)	108,808	-	-	-	44,136
Accumulated Decrease in Fair Value of Interest Rate Swap Agreements	-	-	-	-	48,157
Losses on Debt Refunding	-	-	-	-	496
TOTAL DEFERRED OUTFLOWS OF RESOURCES	108,808	-	-	-	92,789
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 3,603,869	\$ 3,242,852	\$ 2,367,986	\$ 276,485	\$ 2,826,024
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 69,001	\$ 64,133	\$ 25,594	\$ 14,940	\$ 212,691
Salaries and Wages Payable	25,588	24,304	2,458	8,824	73,130
Due To Component Units/University (Note 7)	199,777	46,547	75,416	9,070	101,148
Unearned Revenue (Note 12)	43,316	29,536	54,553	-	-
Deposits Held in Custody	11,910	19,055	-	74	-
Other Current Liabilities	-	201	4,648	-	-
Long-Term Liabilities - Current Portion: (Note 13)					
Capital Improvement Debt Payable	8,909	8,605	-	-	-
Bonds Payable	-	-	4,180	2,041	27,210
Loans and Notes Payable	528	281	15,130	-	-
Installment Purchase Agreements Payable	1,138	1,263	-	-	-
Capital Leases Payable	146	137	-	154	3,378
Compensated Absences Payable	11,861	11,658	392	-	-
Net Pension Liability	4,709	-	-	-	-
Liability for Self-Insured Claims	-	9,196	30,108	-	8,393
Total Current Liabilities	376,883	214,916	212,479	35,103	425,950

STATEMENT OF NET POSITION as of June 30, 2015 (continued)

	University of Florida		Component Units		
	2015	2014	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
Noncurrent Liabilities: (Note 13)					
Capital Improvement Debt Payable	\$ 158,314	\$ 172,974	\$ -	\$ -	\$ -
Bonds Payable	-	-	76,450	30,995	1,003,343
Loans and Notes Payable	10,664	11,192	5,363	8,000	-
Installment Purchase Agreements Payable	1,921	2,097	-	-	-
Capital Leases Payable	2,664	2,810	-	185	7,883
Compensated Absences Payable	117,419	114,293	3,121	-	-
Other Postemployment Benefits Payable	217,539	180,690	-	-	2,798
Net Pension Liability	219,918	-	-	-	-
Liability for Self-Insured Claims	-	36,606	-	-	31,574
Other Noncurrent Liabilities	18,214	18,482	31,229	-	70,171
Total Noncurrent Liabilities	746,653	539,144	116,163	39,180	1,115,769
TOTAL LIABILITIES	1,123,536	754,060	328,642	74,283	1,541,719
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Pension Resources (Note 11)	160,302	-	-	-	86,139
Gains on Debt Refunding	-	-	-	-	10,758
TOTAL DEFERRED INFLOWS OF RESOURCES	160,302	-	-	-	96,897
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,283,838	754,060	328,642	74,283	1,638,616
NET POSITION					
Net Investment in Capital Assets	1,615,971	1,565,313	137,738	24,909	113,322
Restricted:					
Nonexpendable:					
Endowment	-	-	1,228,625	-	97
Expendable:					
Endowment	-	-	383,947	-	11,739
Loans	37,424	36,317	-	-	-
Capital Projects	113,024	79,294	-	-	-
Debt Service	4,855	4,433	-	-	-
Other	436,577	654,866	167,062	-	147,754
Unrestricted	112,180	148,569	121,972	177,293	914,496
TOTAL NET POSITION	2,320,031	2,488,792	2,039,344	202,202	1,187,408
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 3,603,869	\$ 3,242,852	\$ 2,367,986	\$ 276,485	\$ 2,826,024

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION for the Fiscal Year Ended June 30, 2015
(amounts expressed in thousands)

	University of Florida		Component Units		
	2014-15	2013-14	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
OPERATING REVENUES					
Student Tuition and Fees	\$ 522,444	\$ 508,448	\$ -	\$ -	\$ -
Scholarship Allowances	(146,206)	(149,793)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	376,238	358,655	-	-	-
Federal Grants and Contracts	386,876	366,315	-	-	-
State and Local Grants and Contracts	44,642	44,638	-	-	-
Nongovernmental Grants and Contracts	744,655	704,749	-	-	-
Sales and Services of Auxiliary Enterprises (Note 14)	126,085	129,942	-	-	-
Sales and Services of Educational Departments	52,098	52,012	-	-	-
Sales and Services of Component Units	-	-	123,671	-	10,004
Hospital Revenues	-	-	-	737,721	1,839,612
Gifts and Donations - Component Units	-	-	87,407	-	-
Royalties and Licensing Fees - Component Units	-	-	25,640	-	-
Interest on Loans and Notes Receivable	1,092	1,178	-	-	-
Other Operating Revenues	3,644	2,381	9,746	97,811	32,024
Total Operating Revenues	1,735,330	1,659,870	246,464	835,532	1,881,640
OPERATING EXPENSES					
Employee Compensation and Benefits	1,811,810	1,724,914	1,553	85,047	807,638
Services and Supplies	496,362	472,507	495,843	209,873	762,264
Utilities and Communications	67,727	62,761	-	-	-
Scholarships, Fellowships and Waivers, Net	83,861	78,418	-	-	-
Depreciation	134,530	123,114	10,414	7,975	84,675
Self-Insured Claims and Expenses	-	(5,784)	-	-	1,554
Total Operating Expenses (Note 19)	2,594,290	2,455,930	507,810	302,895	1,656,131
Operating Income (Loss)	(858,960)	(796,060)	(261,346)	532,637	225,509
NONOPERATING REVENUES (EXPENSES)					
Noncapital State Appropriations	643,570	605,890	3,500	-	7,050
Federal and State Student Financial Aid	115,755	116,994	-	-	-
Noncapital Grants, Contracts, and Gifts	262,161	82,041	-	-	-
Investment Income	34,321	37,474	75,231	500	37,433
Net Increase (Decrease) in the Fair Value of Investments	(1,144)	32,524	(1,697)	(383)	(5,244)
Investment Expenses	(3,842)	(3,598)	(472)	(833)	(7,269)
Other Nonoperating Revenues	710	422	81,735	34,043	19,854
Gain (Loss) on Disposal of Capital Assets	(2,384)	(2,699)	3,748	6,485	(659)
Interest on Capital Asset-Related Debt	(8,584)	(8,048)	(1,829)	-	(25,235)
Other Nonoperating Expenses	(5,782)	(6,483)	(63,921)	(541,322)	(167,086)
Net Nonoperating Revenues (Expenses)	1,034,781	854,517	96,295	(501,510)	(141,156)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	175,821	58,457	(165,051)	31,127	84,353
Capital State Appropriations	54,222	43,667	-	-	-
Capital Grants, Contracts, and Donations	31,945	17,707	-	-	-
Additions to Permanent Endowments	-	-	32,749	-	-
Total Other Revenues, Expenses, Gains, or Losses	86,167	61,374	32,749	-	-
Increase (Decrease) in Net Position	261,988	119,831	(132,302)	31,127	84,353
Net Position, Beginning of Year	2,488,792	2,368,961	2,171,646	171,075	1,105,712
Adjustment to Beginning Net Position (Note 3)	(430,749)	-	-	-	(2,657)
Adjusted Net Position, Beginning of Year, as Restated	2,058,043	2,368,961	2,171,646	171,075	1,103,055
Net Position, End of Year	\$ 2,320,031	\$ 2,488,792	\$ 2,039,344	\$ 202,202	\$ 1,187,408

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

STATEMENT OF CASH FLOWS for the Fiscal Year Ended June 30, 2015 (amounts expressed in thousands)

	University of Florida	
	2014-15	2013-14
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Net	\$ 379,956	\$ 361,659
Grants and Contracts	1,202,629	1,113,838
Sales and Services of Auxiliary Enterprises	128,275	130,706
Sales and Services of Educational Departments	53,736	51,328
Repayment of Loans and Notes Receivable from Students	6,218	5,667
Interest on Loans Receivable	1,112	1,158
Other Operating Receipts	3,686	2,247
Payments to Employees	(1,788,368)	(1,666,456)
Payments to Suppliers for Goods and Services	(558,677)	(543,917)
Payments to Students for Scholarships and Fellowships	(83,861)	(78,418)
Loans Issued to Students	(7,432)	(6,234)
Payments on Self-Insured Claims and Expenses	-	(4,562)
Net Cash Used by Operating Activities	(662,726)	(632,984)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital State Appropriations	643,570	605,890
Federal and State Financial Aid	115,755	116,994
Noncapital Grants, Contracts, and Gifts	262,161	82,041
Direct Loan Program Receipts	257,939	249,032
Direct Loan Program Disbursements	(257,939)	(249,035)
Net Change in Funds Held for Others	160,120	(31,147)
Other Nonoperating Receipts	636	422
Other Nonoperating Disbursements	(19,745)	(4,242)
Net Cash Provided by Noncapital Financing Activities	1,162,497	769,955
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Improvement Debt	-	76,647
Capital State Appropriations	34,894	12,485
Capital Grants, Contracts, and Donations	13,565	15,711
Proceeds from Sales of Capital Assets	419	532
Other Receipts for Capital Projects	74	-
Purchase or Construction of Capital Assets	(200,486)	(145,059)
Principal Paid on Capital Debt and Leases	(16,182)	(10,595)
Interest Paid on Capital Debt and Leases	(8,584)	(8,048)
Net Cash Used by Capital and Related Financing Activities	(176,300)	(58,327)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	1,731,427	1,688,033
Purchase of Investments	(2,083,839)	(1,799,918)
Investment Income	31,075	33,101
Net Cash Used by Investing Activities	(321,337)	(78,784)
Net Increase (Decrease) in Cash and Cash Equivalents	2,134	(140)
Cash and Cash Equivalents, Beginning of Year	166	306
Cash and Cash Equivalents, End of Year	\$ 2,300	\$ 166

STATEMENT OF CASH FLOWS for the Fiscal Year Ended June 30, 2015 (continued)
(amounts expressed in thousands)

	University of Florida	
	2014-15	2013-14
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (858,960)	\$ (796,060)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	134,530	123,114
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Receivables, Net	14,754	(5,607)
Due From Component Units	4,558	1,365
Inventories	110	(120)
Other Assets	(784)	(145)
Accounts Payable	6,086	(8,387)
Salaries and Wages Payable	1,415	5,041
Unearned Revenue	13,780	4,106
Deposits Held in Custody	(243)	636
Other Postemployment Benefits Payable	36,849	40,915
Compensated Absences Payable	3,329	12,503
Net Pension Liability	(107,744)	-
Pension Deferred Outflows	(70,708)	-
Pension Deferred Inflows	160,302	-
Liability for Self-Insured Claims	-	(10,345)
NET CASH USED BY OPERATING ACTIVITIES	\$ (662,726)	\$ (632,984)

SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING, INVESTING, AND CAPITAL AND RELATED FINANCING ACTIVITIES

The following items are recognized on the Statement of Net Position or the Statement of Revenues, Expenses and Changes in Net Position, but are not cash transactions for the Statement of Cash Flows:

Unrealized loss on investments	\$ (1,144)
Acquisition of equipment under installment purchase agreements	\$ (1,200)
Loss on disposal of capital assets	\$ (2,384)

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The University of Florida is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees.

The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Florida Board of Governors Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

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

B. DISCRETELY PRESENTED COMPONENT UNITS

Based on the application of the criteria for determining component units, certain affiliated organizations are required to be included within the University reporting entity as discretely presented component units because of the significance of their relationship with the University. These organizations are legally separate from the University and are governed by separate boards. The University further categorizes its component units as Direct-Support Organizations, Health Science Center Affiliates, and Shands Hospital and Others. An annual audit of each organization's financial statements is conducted by

independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information is presented in Note 20.

However, financial activities of certain component units are not included in the University's financial statements and are denoted below with an asterisk (*). The total assets and operating revenues related to these component units are \$47 million and \$27 million, respectively. These amounts represent less than one percent of the total aggregate component units' assets and operating revenues.

C. DIRECT-SUPPORT ORGANIZATIONS

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

University of Florida Foundation, Inc., solicits, collects, manages, and directs contributions to the various academic departments and programs of the University, and assists the University in fund raising, public relations, and maintenance of alumni records. Their financial statements include the activities of the University of Florida Alumni Association, Inc.

The University Athletic Association, Inc., conducts various inter-collegiate athletic programs for and on behalf of the University.

University of Florida Research Foundation, Inc., promotes, encourages, and assists research activities of the University through income derived from or related to the development and commercialization of intellectual properties, which include inventions, discoveries, processes, and work products.

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

Gator Boosters, Inc., solicits funds for the benefit of the University athletic programs.

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

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

University of Florida Alumni Association, Inc., supports activities of the alumni of the University of Florida. Its financial transactions are reflected in the financial statements of the University of Florida Foundation, Inc.

Florida Foundation Seed Producers, Inc.,* supplies Florida farmers and producers with crop seed and nursery stock. This organization stocks foundation seed of the best-known varieties acceptable to Florida climate and soils in adequate quantities and at reasonable prices.

The University of Florida Law Center Association, Inc.,* promotes, supports and improves legal education, legal research, the legal profession and the administration of justice; and assists the Levin College of Law in the development and maintenance of a law center.

Florida 4-H Club Foundation, Inc.,* promotes the educational objectives of the 4-H Youth Development Program, an official part of the Florida Cooperative Extension Service.

University of Florida Leadership and Education Foundation, Inc.,* was formed to further agriculture and natural resource education and related activities, promote agriculture and natural resources leadership, and make contributions to and confer benefits upon the University.

University of Florida Investment Corporation* promotes the educational purposes of the University of Florida by providing investment research, advice, counsel, and management to and for the University Board of Trustees and affiliated organizations of the University.

Citrus Research and Education Foundation, Inc.,* expedites citrus production, propagates new plant materials, collects and analyzes environmental impact research data, and provides research and education support to the University of Florida Citrus Research and Education Center at Lake Alfred.

Treasure Coast Agricultural Research Foundation, Inc.,* supports, encourages, and fosters research, education, and extension at the Institute of Food and Agricultural Sciences of the University on issues related to the citrus industry within the Indian River region.

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

Southwest Florida Research and Education Foundation, Inc.,* provides research and educational support to the

University of Florida Southwest Florida Research and Education Center.

D. HEALTH SCIENCE CENTER AFFILIATES

The corporations listed below, except University of Florida Jacksonville Healthcare, Inc., and Faculty Clinic, Inc., are Faculty Practice Plans, as provided for in Board of Governors Regulation 9.017. The Faculty Practice Plans provide educationally-oriented clinical practice settings and opportunities through which faculty members provide health, medical, veterinary, and dental care to patients as an integral part of their academic activities and their employment as faculty. Because these faculty practice activities generate income, the colleges are authorized to regulate fees generated from faculty practice and maintain Faculty Practice Plans for the orderly collection and distribution of fees. These organizations provide significant support for the clinical instruction function of the University of Florida J. Hillis Miller Health Science Center (JHMHC) and are component units of the University of Florida.

Florida Clinical Practice Association, Inc., bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Medicine.

University of Florida Jacksonville Physicians, Inc., bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Medicine – Jacksonville.

Florida Veterinary Medicine Faculty Association, Inc., bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Veterinary Medicine.

University of Florida Jacksonville Healthcare, Inc., is a not-for-profit health services support organization, as provided for in Board of Governors Regulation 9.011, the purpose of which is to further medical education and operate outpatient clinic facilities, by engaging in strategic alliances and partnerships with non-academic entities, effecting managed care contracting and provider network development for the JHMHC. Its operations are funded by University of Florida Jacksonville Physicians, Inc., and Shands Jacksonville.

Faculty Associates, Inc., bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Dentistry.

Faculty Clinic, Inc.,* a not-for-profit, tax-exempt corporation operates primarily as a facility management company that leases space to Shands Jacksonville and University of Florida Jacksonville Physicians, Inc.

University of Florida College of Nursing Faculty Practice Association, Inc.,* performs billing and collection of professional fees to support the educational, research and service programs of the University of Florida College of Nursing.

Florida Health Professions Association, Inc.,* performs billing and collection of clinical professional fees to support the educational, research, and service programs of the University of Florida College of Public Health and Health Professions.

University of Florida College of Pharmacy Faculty Practice Association, Inc.,* performs billing and collection of fees to support the educational, research, and service programs of the University of Florida College of Pharmacy.

E. SHANDS HOSPITAL AND OTHERS

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

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

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

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

University Village Apartments, Inc., (the Corporation) was established in 1969, for the purpose of providing housing for low- and moderate-income families, especially those affiliated with the University of Florida. Capital was contributed at inception by the University of Florida Foundation, Inc., but no capital stock was issued because the Corporation does not operate for the benefit of any special interest. The Corporation

provided housing under Section 221(d)(3) of the National Housing Act. The facility consists of 28 two-story buildings and was regulated by the United States Department of Housing and Urban Development (HUD) as to rent charges and operating methods. The Corporation is no longer regulated by HUD since it has repaid in full its Section 221 insured loan. The Corporation dissolved as of June 17, 2015, and merged into the University Department of Housing and Residence Education. All transactions during the 2014-15 fiscal year are included in the University's financial statements.

University of Florida Self-Insurance Program (the Program) was created by the Florida Board of Regents, succeeded by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes. The Program provides comprehensive general liability and professional liability (malpractice) coverage for the University of Florida and affiliated teaching hospitals that are providing education in healthcare or veterinary services.

University of Florida Healthcare Education Insurance Company (HEIC), was created on September 1, 1994, as a self-insurance mechanism created pursuant to Section 1004.24, Florida Statutes. HEIC writes coverage for the participants in the Self-Insurance Program (the Program) for loss exposure above the Program's retention. HEIC obtains excess loss reinsurance coverage from commercial insurance carriers for certain layers of exposure.

F. BASIS OF PRESENTATION

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

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

G. 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 component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Twenty-three component units follow GASB standards of accounting and financial reporting. Eight component units (University of Florida Foundation, Inc., Florida Foundation Seed Producers, Inc., Southwest Florida Research and Education Foundation, Inc., Citrus Research and Education Foundation, Inc., Citrus Research and Development Foundation, Inc., Treasure Coast Agricultural Research Foundation, Inc., University of Florida Alumni Association, Inc., and University of Florida Investment Corporation) follow FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

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

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

The Statement of Revenues, Expenses, and Changes in Net Position is presented by major sources and is reported net of tuition scholarships, discounts, and allowances. Tuition scholarships, discounts, and allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in

NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarships, discounts, and allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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

H. CASH AND CASH EQUIVALENTS

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

I. CAPITAL ASSETS

University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease and leasehold improvements, works of art and historical treasures, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value on the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$4 million for intangible assets, which includes computer software, \$5,000 for tangible personal property, and \$250 for library resources. The costs of all new buildings and projects adding new square footage are capitalized. Infrastructure and leasehold improvements have a \$250,000 capitalization threshold. For building renovations, the threshold is \$250,000 or less if the amount expended is at least 25% of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

J. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, net pension liabilities, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums or discounts and losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Losses on refunding are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method.

K. 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. Investments are reported at fair value.

2. REPORTING CHANGES

The University participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit plan administered by the Florida Department of Management Services, Division of Retirement. As a participating employer, 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 requirements of this Statement are being implemented prospectively, with the University reporting its proportionate share of the actuarially determined liabilities of \$224,627,083 at the July 1, 2014, date of transition. The impact of the implementation of this Statement is discussed in Notes 3 and 15.

In prior fiscal years, the University of Florida Self-Insurance Program and the University of Florida Healthcare Education Insurance Company were included within the University reporting entity as blended component units. However, University management determined during the 2014-15 fiscal year that these entities should be reported as discretely presented component units.

3. ADJUSTMENTS TO BEGINNING NET POSITION

Table 1 summarizes the Adjustments to Beginning Net Position reported in the University's Statement of Revenues, Expenses, and Changes in Net Position.

Table 1. Adjustments to Beginning Net Position - University	
Description	University
Implementation of GASB 68	\$ (294,271,932)
University of Florida Self-Insurance Program - Change from blended to discrete presentation	(95,110,566)
University of Florida Healthcare Education Insurance Company - Change from blended to discrete presentation	(41,366,615)
Total Adjustments to Beginning Net Position	\$ (430,749,113)

Table 2 summarizes the Adjustments to Beginning Net Position reported in the Component Units' Statement of Revenues, Expenses, and Changes in Net Position.

Table 2. Adjustments to Beginning Net Position - Component Units	
Description	Shands Hospital and Others
Shands Teaching Hospitals and Clinics, Inc. - Implementation of GASB 68	\$ (140,937,000)
University of Florida Self-Insurance Program - Change from blended to discrete presentation (1)	96,912,561
University of Florida Healthcare Education Insurance Company - Change from blended to discrete presentation	41,366,615
Total Adjustments to Beginning Net Position	\$ (2,657,824)

(1) The Adjustment to Beginning Net Position reported in Table 2 is not equal to the amount in Table 1 due to timing differences. The difference was previously eliminated when the Program was blended with the University.

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 University's Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool

administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees, as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. Investments of the University and its component units at June 30, 2015, are reported at fair value and shown in Tables 3 and 4.

Table 3. University Investments

Types of Investments	Fair Value
External Investments Pool:	
State Treasury Special Purpose Investment Account	\$ 776,023,517
State Board of Administration Debt Service Accounts	1,991,717
Stocks	516
Investment Agreements	704,304,686
Total University Investments	\$ 1,482,320,436

Table 4. Component Unit Investments

Types of Investments	Fair Value
External Investments Pools:	
State Treasury Special Purpose Investment Accounts	\$ 411,559,914
State Board of Administration Florida PRIME Investment Pool	6,143
United States Government and Federally-Guaranteed Obligations	3,310,538
Bonds and Notes	17,941,871
Investment Agreements	2,061,316,517
Real Estate Agreements	7,544,249
Stocks	889,435
Money Market Funds	12,076,837
Equity Mutual Funds	126,853,910
Bond Mutual Funds	182,446,093
Commercial Paper	7,831,000
Total Component Unit Investments	\$ 2,831,776,507

A. EXTERNAL INVESTMENT POOLS

The University and its discretely presented component units (see Note 1) reported investments at fair value totaling \$776,023,517 and \$411,559,914, respectively, 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 SPIA carried a credit rating of A+f by Standard and Poor's and 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 the financial statements of the State's Comprehensive Annual Financial Report.

B. STATE BOARD OF ADMINISTRATION DEBT SERVICE ACCOUNTS

The University reported investments at fair value totaling \$1,991,717 at June 30, 2015, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

C. OTHER INVESTMENTS

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, money market funds, and mutual funds. For the University, the majority of the other investments are managed by the University of Florida Investment Corporation (UFICO). University management determined, during the 2014-15 fiscal year, that a portion of those investments managed by UFICO should be reported as Other Noncurrent Investments on the Statement of Net Position. For the University's discretely presented component units, other investments are those reported primarily by the University of Florida Foundation, Inc., The University Athletic Association, Inc., University of Florida Research Foundation, Inc., Florida Clinical Practice Association, Inc., Shands Teaching Hospital and Clinics, Inc., Shands Jacksonville HealthCare, Inc., and the University of Florida Self-Insurance Program. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools:

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University's component units (excluding those reporting under FASB standards) in debt securities, bonds and notes, and bond mutual funds, and their future maturities at June 30, 2015, are shown in Table 5.

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 investment agreements are unrated. At June 30, 2015, the University's component units (excluding those reporting under FASB standards) had bonds and notes and bond mutual funds, with quality ratings by nationally recognized rating agencies (e.g., Moody's Investors Service), as shown in Table 6.

Table 5. Component Units Debt Investment Maturities

Types of Investments	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 2,540,311	\$ -	\$ 2,540,311	\$ -	\$ -
Bonds and Notes	17,765,095	8,523,967	8,245,970	995,158	-
Bond Mutual Funds	170,344,581	17,666,352	116,837,229	35,841,000	-
Total Component Units	\$ 190,649,987	\$ 26,190,319	\$ 127,623,510	\$ 36,836,158	\$ -

Table 6. Component Units Debt Investments Quality Ratings

Types of Investments	Fair Value	Quality Ratings			
		AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Bonds and Notes	\$ 17,765,095	\$ 3,780,962	\$ 4,993,351	\$ 8,990,782	\$ -
Bond Mutual Funds	170,344,581	13,631,571	61,243,988	35,495,077	59,973,945
Total Component Units	\$ 188,109,676	\$ 17,412,533	\$ 66,237,339	\$ 44,485,859	\$ 59,973,945

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the University’s investments in a single issuer. The University has no formal policy on concentration of credit risk. The component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the component units.

5. RECEIVABLES

A. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for grant and contract reimbursements due from third parties, various sales and services provided to students and third parties, student tuition and fees, and interest accrued on investments and loans receivable. Accounts receivable, net of an allowance for uncollectible accounts, reported as of June 30, 2015, are summarized in Table 7.

Table 7. Accounts Receivable

Description	Amount
Grants and Contracts	\$ 66,838,802
Sales and Services of Auxiliary Enterprises	4,267,841
Student Tuition and Fees	5,721,379
Sales and Services of Educational Departments	2,171,083
Interest	1,001,631
Total Accounts Receivable, Net	\$ 80,000,736

B. LOANS AND NOTES RECEIVABLE

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

C. ALLOWANCES FOR UNCOLLECTIBLE RECEIVABLES

Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management’s best estimate as of fiscal year-end, considering type, age, collection history, and other factors considered appropriate. Accounts receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$6,570,694, which is 33.3% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$3,967,430 which is 8.8% of total related loans and notes receivable. No allowance has been accrued for grants and contracts receivable. University management considers these to be fully collectible.

6. DUE FROM STATE

This amount consists of \$65,305,309 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

7. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2015. The University's discretely presented component units' financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units are not presented (see Note 1). Additionally, component units' due from and due to amounts include receivables and payables between the various component unit columns. Accordingly, amounts reported by the University as due from and to component units on the Statement of Net Position may not agree with amounts reported by the component units as due from and to the University.

8. INVENTORIES

Inventories have been categorized into the following two types:

Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the Statement of Net Position.

Merchandise Inventories – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the Statement of Net Position and are valued at cost using either the moving average method or the first-in, first-out method.

9. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2015, is presented in Table 8.

Table 8. Capital Assets

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 11,278,599	\$ 605,000	\$ -	\$ 11,883,599
Construction in Progress	130,441,333	154,947,647	60,218,319	225,170,661
Works of Art and Historical Treasures	4,140,344	64,570	-	4,204,914
Total Nondepreciable Capital Assets	145,860,276	155,617,217	60,218,319	241,259,174
Depreciable Capital Assets:				
Buildings	2,292,087,101	62,552,924	1,172,280	2,353,467,745
Infrastructure and Other Improvements	112,919,046	8,297,781	20,067	121,196,760
Furniture and Equipment	550,699,507	41,265,557	22,500,068	569,464,996
Library Resources	321,757,530	9,692,326	3,485,120	327,964,736
Property Under Capital Lease and Leasehold Improvements	12,140,638	2,506,706	-	14,647,344
Works of Art and Historical Treasures	432,895	-	-	432,895
Computer Software	24,533,000	-	-	24,533,000
Other Capital Assets	55,110	11,500	-	66,610
Total Depreciable Capital Assets	3,314,624,827	124,326,794	27,177,535	3,411,774,086
Less Accumulated Depreciation:				
Buildings	1,015,118,364	78,155,377	935,333	1,092,338,408
Infrastructure and Other Improvements	65,883,159	4,218,833	6,840	70,095,152
Furniture and Equipment	367,794,291	39,784,521	18,953,749	388,625,063
Library Resources	267,851,211	11,749,637	3,485,120	276,115,728
Property Under Capital Lease and Leasehold Improvements	4,248,700	585,596	-	4,834,296
Works of Art and Historical Treasures	280,327	23,183	-	303,510
Computer Software	24,533,000	-	-	24,533,000
Other Capital Assets	11,078	12,372	-	23,450
Total Accumulated Depreciation	1,745,720,130	134,529,519	23,381,042	1,856,868,607
Total Depreciable Capital Assets, Net	1,568,904,697	(10,202,725)	3,796,493	1,554,905,479
Total Capital Assets, Net	\$ 1,714,764,973	\$ 145,414,492	\$ 64,014,812	\$ 1,796,164,653

10. MUSEUM AND ART COLLECTIONS

The Florida Museum of Natural History, which is part of the University, maintains a depository of biological, geological, archaeological, and ethnographic materials. The Museum’s collections contain approximately 40 million specimens, more than half of which are catalogued, either individually or in lots. While many of the collections are undoubtedly quite valuable and irreplaceable, the University has not placed a dollar value on these items and, accordingly, the financial statements do not include these assets.

The Samuel P. Harn Museum of Art, which is also part of the University, maintains a collection of over 10,000 works of art. Donations of artwork to the Museum are recorded by the University of Florida Foundation, Inc. (Foundation), and are included with reported “Permanent Collections” as further explained in Note 9 of the Foundation’s audited financial statements for the fiscal year ended June 30, 2015. Purchases of artwork by the Museum are included with the University’s reported Nondepreciable Capital Assets as presented in Table 8.

11. DEFERRED OUTFLOW / INFLOW OF RESOURCES

Certain changes in the University’s proportionate share of the net pension liabilities of the cost-sharing multiple-employer Florida Retirement System and Health Insurance Subsidy defined benefit plans are reported as deferred outflows and inflows of pension resources. These include changes in actuarial assumptions and other inputs used to measure the pension liabilities, differences between actual and expected experience in the measurement of the liabilities, the net difference between projected and actual earnings on pension plan investments, as well as changes in the University’s proportion of the collective net pension liabilities since the prior measurement date and changes between the University’s contributions and its proportionate share of contributions. In addition, University contributions to the pension plan subsequent to the measurement date for the collective net pension liabilities are reported as deferred outflows. Total deferred outflows of pension resources were \$108,808,572 and deferred inflows of pension resources were \$160,302,144 for the year ended June 30, 2015. Note 15 includes a complete discussion of defined benefit pension plans.

12. UNEARNED REVENUE

Unearned Revenue includes amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Unearned Revenue, as of June 30, 2015, is summarized in Table 9.

Description	Amount
Grants and Contracts	\$ 31,131,718
Sales and Services of Auxiliary Enterprises	6,258,875
Student Tuition and Fees	5,925,610
Total Unearned Revenue	\$ 43,316,203

13. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2015, include capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liability activity for the fiscal year ended June 30, 2015, is presented in Table 10.

A. CAPITAL IMPROVEMENT DEBT PAYABLE

Capital improvement debt is issued to construct student housing facilities, parking garages, and various other University facilities. The outstanding debt for student housing and parking garages is secured by a pledge of a portion of housing rental revenues and parking fees. The outstanding debt for the Clinical Translational Research Building is secured by a pledge of a portion of indirect costs revenues received by the College of Medicine. Pledged revenues are equal to the remaining debt service requirements to maturity for the capital improvement debt. During the 2014-15 fiscal year, \$5,545,000 of the \$21,755,000 in current outstanding University of Florida Housing Revenue Refunding Bonds Series 2005A was economically defeased by the University of Florida Dormitory Revenue Bonds Series 2013A.

A summary of the University’s capital improvement debt payable at June 30, 2015, appears in Table 11.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2015, appear in Table 12.

Table 10. Long-Term Liabilities

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Asset-Related Debt:					
Capital Improvement Debt Payable	\$ 181,578,712	\$ -	\$ 14,355,528	\$ 167,223,184	\$ 8,909,000
Loans and Notes Payable	11,472,538	-	280,476	11,192,062	527,465
Installment Purchase Agreements Payable	3,359,886	1,200,057	1,500,930	3,059,013	1,138,143
Capital Leases Payable	2,946,983	-	137,087	2,809,896	145,928
Total Capital Asset-Related Debt	199,358,119	1,200,057	16,274,021	184,284,155	10,720,536
Other Long-Term Liabilities:					
Compensated Absences Payable	125,950,609	14,991,601	11,662,464	129,279,746	11,860,885
Other Postemployment Benefits Payable	180,690,000	43,657,000	6,808,000	217,539,000	-
Net Pension Liability (1)	332,370,934	90,657,296	198,401,147	224,627,083	4,708,642
Liability for Self-Insured Claims (2)	45,801,534	-	45,801,534	-	-
Other Noncurrent Liabilities	18,481,891	-	268,231	18,213,660	-
Total Long-Term Liabilities	\$ 902,653,087	\$ 150,505,954	\$ 279,215,397	\$ 773,943,644	\$ 27,290,063

(1) Net pension liability included due to the implementation of GASB Statement No. 68 during the 2014-15 fiscal year.

(2) The liability for self-insured claims was removed due to the change in reporting entity discussed in Note 2.

Table 11. Capital Improvement Debt Payable

Type and Series	Amount of Original Issue	Amount Outstanding		Interest Rates	Maturity Date
		Principal	Interest		
Student Housing Auxiliary Debt:					
2005A Housing	\$ 37,610,000	\$ 21,755,000	\$ 9,582,863	4.000 to 5.125%	2030
2011A Housing	16,350,000	11,530,000	2,572,869	3.000 to 4.000%	2028
2012A Housing	26,500,000	23,530,000	7,434,106	3.000 to 4.000%	2031
2013A Housing	24,805,000	23,760,000	9,096,744	3.000 to 5.000%	2033
Total Student Housing Debt	105,265,000	80,575,000	28,686,582		
Parking Garage Auxiliary Debt:					
1998 Parking Garage	10,000,000	2,845,000	278,469	4.750%	2019
2007A Parking Garage	20,770,000	15,230,000	4,524,903	3.625 to 4.375%	2028
Total Parking Garage Debt	30,770,000	18,075,000	4,803,372		
Other University of Florida Revenue Bonds:					
2011 Clinical Translational Research Building	29,838,000	25,440,000	9,656,049	4.433%	2030
2013 Student Activity	41,540,000	39,155,000	19,041,175	4.000 to 5.000%	2033
Total Other University of Florida Revenue Bonds	71,378,000	64,595,000	28,697,224		
Plus: Unamortized Premiums	-	5,418,274	-		
Less: Unamortized Discounts	-	(272,398)	-		
Less: Unamortized Refunding Losses	-	(1,167,692)	-		
Total Capital Improvement Debt	\$ 207,413,000	\$ 167,223,184	\$ 62,187,178		

Table 12. Capital Improvement Debt Payable - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$ 8,909,000	\$ 7,013,041	\$ 15,922,041
2017	9,283,000	6,632,933	15,915,933
2018	9,707,000	6,224,331	15,931,331
2019	10,132,000	5,781,788	15,913,788
2020	8,872,000	5,353,514	14,225,514
2021-2025	48,953,000	20,421,015	69,374,015
2026-2030	52,514,000	9,542,818	62,056,818
2031-2033	14,875,000	1,217,738	16,092,738
Total Principal & Interest	163,245,000	62,187,178	225,432,178
Plus: Unamortized Premiums	5,418,274	-	5,418,274
Less: Unamortized Discounts	(272,398)	-	(272,398)
Less: Unamortized Refunding Losses	(1,167,692)	-	(1,167,692)
Total	\$ 167,223,184	\$ 62,187,178	\$ 229,410,362

B. LOANS AND NOTES PAYABLE

On August 30, 2013, the University borrowed \$6,472,538 at an interest rate of 2.33%, to finance the cost of heating, ventilation, and air conditioning (HVAC) update and renovation of J. Wayne Reitz Student Union. The principal and interest cost is expected to be met by cost savings of the newer system. The note matures on August 31, 2029, and principal and interest payments are made annually. On June 17, 2013, the University borrowed \$5,000,000 at an interest rate of 3.58% for a similar renovation at Willard M. Fifield Hall. The note matures on November 1, 2033, and principal and interest payments are made annually. Annual requirements to amortize the two outstanding notes as of June 30, 2015, appear in Table 13.

Table 13. Loans and Notes - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$ 527,465	317,576	\$ 845,041
2017	551,318	303,364	854,682
2018	572,130	288,408	860,538
2019	597,825	272,820	870,645
2020	569,277	256,427	825,704
2021-2025	3,232,168	1,037,825	4,269,993
2026-2030	3,540,858	555,804	4,096,662
2031-2034	1,601,021	148,082	1,749,103
Total	\$ 11,192,062	\$ 3,180,306	\$ 14,372,368

C. INSTALLMENT PURCHASE AGREEMENTS PAYABLE

The University has entered into several installment purchase agreements for the purchase of equipment with original cost basis of \$5,665,083. The stated interest rates ranged from 0.00% to 13.02%. Future minimum payments remaining under installment purchase agreements as of June 30, 2015, appear in Table 14.

Table 14. Installment Purchase Agreements Payable - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$ 1,138,143	\$ 79,705	\$ 1,217,848
2017	951,671	43,597	995,268
2018	587,043	19,333	606,376
2019	341,979	6,748	348,727
2020	40,177	322	40,499
Total Minimum Payments	\$ 3,059,013	\$ 149,705	\$ 3,208,718

D. CAPITAL LEASES PAYABLE

On June 8, 1994, the former Board of Regents, on behalf of the University of Florida, entered into a lease agreement with the University of Florida Foundation, Inc. (the Foundation), a direct-support organization (component unit) of the University. Under the terms of the agreement, the University agreed to lease from the Foundation a 607-space parking garage (the garage) located near the Health Science Center Administrative Offices for a period of thirty years beginning July 1, 1994. Lease payments of \$100,000 annually are due each July 1. The garage was simultaneously acquired by the Foundation from Shands Teaching Hospital and Clinics, Inc. (Shands), also a component unit, and financed by the Foundation through the issuance of a promissory note secured by a non-recourse mortgage containing payment terms similar to those in the lease agreement between the Foundation and the University. Lease payments from the University to the Foundation and from the Foundation to Shands were based on an original construction cost of \$3,000,000 and no interest. For reporting purposes, the lease is considered a capital lease under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$1,382,470. The asset, which is

included in the Property Under Capital Lease and Leasehold Improvements, was recorded at cost to Shands of \$3,000,000.

On March 1, 2000, the University, acting for and on behalf of the former Board of Regents, entered into a lease agreement with Shands. Under the terms of the agreement, the University agreed to lease from Shands an 800-space parking garage located near the Health Science Center Administrative Offices for a period of thirty years beginning March 1, 2000. Annual lease payments of \$227,167 are due each May 1, beginning May 1, 2001. Lease payment amounts were based on an original construction cost of \$6,815,002 and no interest. For reporting purposes, the lease is considered a capital lease under GASB Statement No. 62. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$2,981,939. The asset, which is included in the Property Under Capital Lease and Leasehold Improvements, was recorded at cost to Shands of \$6,815,002. A summary of pertinent information related to the two capital leases appears in Table 15.

Table 15. Capital Leases Payable

Capital Leases	Interest Rate	Original Balance	Outstanding Balance
Shands Garage (607 spaces)	6.45%	\$ 1,382,470	\$ 667,045
Shands Garage (800 spaces)	6.45%	2,981,939	2,142,851
Total		\$ 4,364,409	\$ 2,809,896

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2015, are presented in Table 16.

Table 16. Capital Leases Payable - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2016	\$ 145,928	\$ 181,238	\$ 327,166
2017	155,341	171,826	327,167
2018	165,360	161,806	327,166
2019	176,026	151,141	327,167
2020	187,380	139,787	327,167
2021-2025	1,034,553	501,280	1,535,833
2026-2030	945,308	190,527	1,135,835
Total	\$ 2,809,896	\$ 1,497,605	\$ 4,307,501

E. COMPENSATED ABSENCES PAYABLE

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors Regulations, University Regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave in accordance with its policy regarding leave payment upon separation from employment. However, Noncapital State Appropriations fund only the portion of

accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations.

At June 30, 2015, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$129,279,746. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

F. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

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

Funding Policy – Plan benefits are pursuant to 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, 2,412 retirees received postemployment healthcare benefits. The University provided required contributions of \$6,808,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$16,397,000, which represents 1.4% of covered payroll.

Annual OPEB Cost and Net OPEB Obligation – The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that if paid on an ongoing

basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. Table 17 shows the University’s annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and the changes in the University’s net OPEB obligation.

Table 17. Annual OPEB Cost and Net OPEB Obligation

Description	Amount
Normal Cost (service cost for one year)	\$ 21,128,000
Amortization of Unfunded Actuarial Accrued Liability	19,923,000
Interest on Normal Cost and Amortization	1,642,000
Annual Required Contribution	42,693,000
Interest on Net OPEB Obligation	7,228,000
Adjustment to Annual Required Contribution	(6,264,000)
Annual OPEB Cost (Expense)	43,657,000
Contribution Toward the OPEB Cost	(6,808,000)
Increase in Net OPEB Obligation	36,849,000
Net OPEB Obligation, Beginning of Year	180,690,000
Net OPEB Obligation, End of Year	\$ 217,539,000

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and for the two preceding fiscal years, are presented in Table 18.

Table 18. Annual OPEB Cost, Percentage Contributed, and Net Obligation

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	\$ 47,382,000	21.2%	\$ 139,775,000
2013-14	48,595,000	15.8%	180,690,000
2014-15	43,657,000	15.6%	217,539,000

Funded Status and Funding Progress – As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$663,395,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$663,395,000 and a funded ratio of 0%. The covered payroll (annual payroll of active participating employees) was \$1,140,761,801 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 58.2%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new

estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The University’s OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the University’s estimated 2014-15 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4% per year and an inflation rate of 3%. Healthcare trend rates were 7.2%, 7.9%, and 7.6% for the first three years respectively for all retirees in the PPO (Preferred Provider Organization) Plan and were 7.0%, 7.6%, and 7.8% for the first three 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 5.0% over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis.

14. INTERDEPARTMENTAL AUXILIARY SALES

Interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from expenses and revenues for reporting purposes. The interdepartmental transactions eliminated in the financial statement preparation totaled \$113,472,559 for the fiscal year ended June 30, 2015.

15. RETIREMENT PLANS

A. DEFINED BENEFIT PENSION PLANS

The University follows GASB No. 68, *Accounting and Financial Reporting for Pensions*, for reporting the employer’s proportionate share of the net pension liabilities for the FRS and HIS defined benefit plans.

General information about the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) Program

The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes. The FRS was created 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 (SMSC) 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 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 \$26,107,645 for the 2014-15 fiscal year for both the FRS Pension Plan and HIS Program.

1. Florida Retirement System Defined Benefit 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 (SMSC) – 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 six years of creditable service and employees enrolled in the Plan

on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. 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 service credit. 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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight 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. Table 19 shows the percentage value for each year of service credit earned.

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% 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% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Table 19. Class, Initial Enrollment, and Retirement Age/Years of Service

	Value
<i>Regular Class members initially enrolled before July 1, 2011</i>	
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%
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
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%
<i>Special Risk Regular</i>	
Service from December 1, 1970, through September 30, 1974	2.00%
Service on and after October 1, 1974	3.00%
<i>Senior Management Service Class</i>	2.00%

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year are shown in Table 20.

The University’s contributions to the Plan totaled \$38,680,557 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the University reported a liability of \$92,657,576 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 1.52%, which was an

increase of 0.29% from its proportionate share of 1.23% measured as of July 1, 2013.

Table 20. Florida Retirement System Rates

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00%	7.37%
Florida Retirement System, Senior Management Service	3.00%	21.14%
Florida Retirement System, Special Risk	3.00%	19.82%
Deferred Retirement Option Program-Applicable to Members from All of the Above Classes	0.00%	12.28%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates for each membership class include 1.26% for Health Insurance Subsidy. Also, employer rates, other than for DROP participants, include 0.04% for administrative costs of the Investment Plan.

(B) Contribution Rates are dependent upon retirement class in which reemployed.

For the year ended June 30, 2015, the University recognized pension expense of \$16,552,292. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions as presented in Table 21.

The deferred outflows of resources related to pensions totaling \$38,680,557, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending 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 shown in Table 22.

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, as presented in Table 23.

Table 21. Deferred Outflows and Inflows Related to Pensions - FRS

Description	Deferred Outflows of Resources		Deferred Inflows of Resources		Recognition Period
Differences Between Expected and Actual Experience	\$	-	\$	5,733,928	6.3 years
Change of Assumptions		16,046,750		-	6.3 years
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		-		154,568,216	5.0 years
Changes in Proportion and Difference Between University Contributions and Proportionate Share of Contributions		41,317,585		-	6.3 years
University FRS Contributions Subsequent to the Measurement Date		38,680,557		-	1.0 year
Total	\$	96,044,892	\$	160,302,144	

Table 22. Recognition of Deferred Outflows and Inflows Related to Pensions - FRS

Fiscal Year Ending June 30	Amount
2016	\$ (28,900,468)
2017	(28,900,468)
2018	(28,900,468)
2019	(28,900,468)
2020	9,741,586
Thereafter	2,922,477
Total	\$ (102,937,809)

Table 23. Actuarial Assumptions - FRS

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

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

The actual 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 long-term expected rates of arithmetic return for each major asset class are summarized in Table 24.

Table 24. Target Allocation and Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash	1.00%	3.11%
Intermediate-Term Bonds	18.00%	4.18%
High Yield Bonds	3.00%	6.79%
Broad US Equities	26.50%	8.51%
Developed Foreign Equities	21.20%	8.66%
Emerging Market Equities	5.30%	11.58%
Private Equity	6.00%	11.80%
Hedge Funds / Absolute Return	7.00%	5.81%
Real Estate (Property)	12.00%	7.11%
Total	100.00%	

Discount Rate – The discount rate used to measure the total pension liability was 7.65%. 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 Position Liability to Changes in the Discount Rate – Table 25 presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65%, 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%) or 1-percentage-point higher (8.65%) than the current rate.

Table 25. Sensitivity to Changes in Discount Rate - FRS

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
University's Proportionate Share of the Net Pension Liability	\$ 396,308,759	\$ 92,657,576	\$ (159,922,269)

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.

2. Health Insurance Subsidy Defined Benefit 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. 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 Division of Retirement within the Florida Department of Management Services.

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% of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100% of its statutorily required

contributions for the current and preceding three 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 \$5,578,364 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 \$131,969,507 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 pension 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 1.41%, which was an increase of 0.03% from its proportionate share of 1.38% measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the University recognized pension expense of \$9,555,353. In addition, the University reported deferred outflows of resources related to pensions as presented in Table 26.

Description	Deferred Outflows of Resources	Recognition Period
Change of Assumptions	\$ 4,695,999	7.2 years
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	63,349	5.0 years
Changes in Proportion and Difference Between University Contributions and Proportionate Share of Contributions	2,425,968	7.2 years
University HIS Contributions Subsequent to the Measurement Date	5,578,364	1.0 year
Total	\$ 12,763,680	

The deferred outflows of resources totaling \$5,578,364 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 ending June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as showed in Table 27.

Fiscal Year Ending June 30	Amount
2016	\$ 1,164,542
2017	1,164,542
2018	1,164,542
2019	1,164,542
2020	1,148,704
Thereafter	1,378,444
Total	\$ 7,185,316

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, as presented in Table 28.

Inflation	2.60%
Salary Increases	3.25% , average, including inflation
Municipal Bond Rate	4.29%

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. While an experience study had not been completed for the plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate – The discount rate used to measure the total pension liability was 4.29%. 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 – Table 29 presents the University’s proportionate share of the net pension liability calculated using the discount rate of 4.29%, 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%) or 1-percentage-point higher (5.29%) than the current rate.

Table 29. Sensitivity to Changes in Discount Rate - HIS

	1% Decrease 3.29%	Current Discount Rate 4.29%	1% Increase 5.29%
University's Proportionate Share of the Net Pension Liability	\$ 150,104,628	\$ 131,969,507	\$ 116,831,871

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.

B. DEFINED CONTRIBUTION PENSION PLANS

1. 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 this program. 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 plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year are presented in Table 30.

Table 30. Florida Retirement System - Investment Plan Rates

Class	Percent of Gross Compensation
Florida Retirement System, Regular	6.30%
Florida Retirement System, Senior Management Service	7.67%
Florida Retirement System, Special Risk	14.00%

For all membership classes, employees are immediately vested in their own contributions and are vested after one 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 five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over his account. If the employee does not return within the five 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 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 select 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.

There were 1,936 University participants during the 2014-15 fiscal year. The University’s Investment Plan pension expense totaled \$6,623,159 for the fiscal year ended June 30, 2015.

2. 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 eight or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14% of the participant’s salary to the participant’s account, 2.54% to cover the unfunded actuarial liability of the FRS pension plan, and 0.01% to cover administrative costs. Employees contribute 3% of their salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 5,962 University participants during the 2014-15 fiscal year. The University's contributions to the Program totaled \$35,136,871 and employee contributions totaled \$24,828,214 for the 2014-15 fiscal year.

C. OTHER RETIREMENT PROGRAMS

1. U.S. Civil Service Retirement System

Some University employees participate in the U.S. Civil Service Retirement System. Twenty-three employees were covered by the U.S. Civil Service Retirement System during the 2014-15 fiscal year. Employer contributions totaled \$150,206, and employee contributions totaled \$150,210. The University's participation in the Federal retirement system is not considered material by University management.

2. Institute of Food and Agricultural Sciences Supplemental Retirement

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

There were 20 University participants during the 2014-15 fiscal year. Required employer contributions made to the program totaled \$372,910. Employees do not contribute to this program.

16. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2015, are presented in Table 31.

17. RISK MANAGEMENT PROGRAMS

A. STATE SELF-INSURANCE PROGRAMS

The University is exposed to various risks of loss related to torts; 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 of losses 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. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

B. UNIVERSITY SELF-INSURANCE PROGRAMS

The University of Florida Self-Insurance Program (Program) and the University of Florida Healthcare Education Insurance Company (HEIC), which are included in the University's reporting entity as discretely presented component units (see Notes 1, 2, and 3), provide general and professional liability protection for the University of Florida Board of Trustees (UFBOT) on behalf of the six health colleges of the JHMHC, the College of Veterinary Medicine teaching hospitals, the Student Health Care Center, its direct-support organization, and their employees and agents. Hospital professional liability protection, including general liability, is provided to Shands Teaching Hospital and Clinics, Inc., Shands Jacksonville Medical Center, Inc. (a subsidiary of Shands Jacksonville HealthCare, Inc. - Shands Jacksonville), other entities statutorily authorized to participate in the Program, and their employees and agents.

Table 31. Construction Project Commitments

Project Title	Total Commitment	Completed to Date	Balance Committed
Reitz Union Expansion and Renovation	\$ 77,223,053	\$ 50,713,052	\$ 26,510,001
Chemistry/Chemical Biology Building	66,608,204	15,983,277	50,624,927
Stephen O'Connell Center Renovation and Addition	58,430,000	4,653,589	53,776,411
NEXUS Engineering Addition	50,000,000	385,378	49,614,622
Harrell Medical Education Building	46,629,581	33,392,497	13,237,084
ENT/Ophthalmology Clinics Facility	38,625,000	11,080	38,613,920
Joint Use Library Storage Facility	26,666,000	1,516,636	25,149,364
Cypress Hall - Single Student Housing	21,900,000	16,608,188	5,291,812
PK Yonge Middle and High School Expansion	18,830,800	534,386	18,296,414
Newell Hall Renovation	16,635,000	348,764	16,286,236
Rabon Steam Boiler Design / Installation	7,000,000	42,750	6,957,250
Broward Hall - Bathrooms, Lounges, Apartment Renovation	6,500,000	6,487,668	12,332
Veterinary Medicine Clinical Simulation Lab Addition	6,089,140	3,798,378	2,290,762
Entomology and Nematology - Energy Efficiencies for HVAC, Roof and Automation Controls	6,082,711	5,805,402	277,309
Basic Sciences Building - Ground Floor Renovation	5,237,000	122	5,236,878
Chilled Water Plant Boiler Replacement	4,381,326	3,933,192	448,134
MIRADAS Telescopes	4,152,648	732,426	3,420,222
Marston Science Library Renovation	4,118,001	3,721,061	396,940
Corry Village Building 277 Renovation	3,807,093	2,160,242	1,646,851
Nanoscale Research Facility - Clean Room Renovation	2,542,879	13,910	2,528,969
Buckman Hall - Air Conditioning Design and Installation	2,515,800	2,068,824	446,976
Thomas Hall - Air Conditioning Replacement	2,500,000	1,615,170	884,830
Corry Village Building 284 Renovation	2,400,000	2,003,465	396,535
Corry Village Building 278 Renovation	2,400,000	2,390,047	9,953
Corry Village Building 282 Renovation	2,268,300	2,146,035	122,265
Corry Village Building 283 Renovation	2,200,000	2,188,293	11,707
Health Science Center Addition of Modular Buildings	2,097,133	16,932	2,080,201
Dental Science Building - Air Handling Units Replacement, Fire Sprinkler Installation, and Reroof	2,082,435	1,828,251	254,184
Yon Hall - Air Handling Units Replacement	2,077,451	1,648,989	428,462
Broward Hall - Electrical Upgrades	2,000,000	8,717	1,991,283
Broward Hall - Fire Sprinkler and Alarm Systems	2,000,000	376,456	1,623,544
Subtotal	495,999,555	167,133,177	328,866,378
Projects Under \$2,000,000	100,500,996	58,037,484	42,463,512
Total	\$ 596,500,551	\$ 225,170,661	\$ 371,329,890

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

HEIC provides coverage for claims that are in excess of the protections provided by the Program, at limits of \$4 million per legislative claims bill coverage for insured participants subject to Section 768.28, Florida Statutes, and \$3 million per claim for voluntary settlements and insured participants that are not subject to Section 768.28, Florida Statutes. HEIC provides additional limits of liability coverage of \$50 million per claim and in the aggregate, which is in excess of the coverages described above.

18. LITIGATION AND CONTINGENCIES

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

The University of Florida reached an agreement with the United States Department of Health and Human Services and with the United States Department of Justice (civil division) regarding the University's practices related to Federal awards finances and accounting. See Note 22 for more details.

19. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of operating expenses (instruction, research, etc.) is assigned to each individual transaction based on the nature of the activity. The operating expenses on the

Statement of Revenues, Expenses, and Changes in Net Position are presented by natural classifications. Table 32 presents those same expenses in functional classifications as recommended by NACUBO.

Table 32. Functional Expenses

Functional Classifications	Amount
Instruction	\$ 716,265,312
Research	606,122,948
Public Service	475,734,937
Academic Support	176,226,237
Institutional Support	164,402,362
Depreciation	134,529,519
Auxiliary Operations	118,559,716
Operation and Maintenance of Plant	104,580,297
Scholarships, Fellowships and Waivers, Net	61,531,590
Student Services	36,337,047
Total Operating Expenses	\$ 2,594,289,965

20. COMPONENT UNITS

The University's financial statements include 16 discretely presented component units as discussed in Note 1. These component units comprise 100% of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. Summary financial information from the most recently available audited financial statements for these component units is presented on the following pages in Tables 33, 34, and 35.

21. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. Transportation and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Department of Housing and Residence Education provides safe and affordable living space for students of the University of Florida. Capital improvement debt has been issued over the years to provide funding for the construction of facilities to house students of the University. A summary of the financial activity for these segments is presented in Table 36.

22. SUBSEQUENT EVENTS

On November 20, 2015, the University reached a settlement with the Federal Government for \$19,875,000, which closes an investigation of the University by the Department of Health and Human Services and the Department of Justice related to deficiencies in the University's research accounting systems from 2005-2010. These deficiencies have since been remedied with significant upgrades in systems and procedures.

The University paid the settlement on November 25, 2015, from non-State funds.



Table 33. Direct-Support Organizations (amounts expressed in thousands)

	University of Florida Foundation, Inc.	The University Athletic Association, Inc.	University of Florida Research Foundation, Inc.
CONDENSED STATEMENT OF NET POSITION			
Assets			
Due from Component Units/University	\$ 44,427	\$ 15,461	\$ 113,500
Other Current Assets	101,964	67,965	7,055
Capital Assets, Net	88,825	174,581	-
Other Noncurrent Assets	1,625,353	58,862	-
Total Assets	1,860,569	316,869	120,555
Liabilities			
Due to Component Units/University	39,603	-	20,580
Other Current Liabilities	24,100	68,973	5,260
Noncurrent Liabilities	33,261	82,776	-
Total Liabilities	96,964	151,749	25,840
Net Position			
Net Investment in Capital Assets	32,921	93,951	-
Restricted-Nonexpendable Endowment	1,228,173	-	-
Restricted-Expendable Endowment	383,947	-	-
Restricted-Expendable Other	143,218	23,844	-
Unrestricted	(24,654)	47,325	94,715
Total Net Position	\$ 1,763,605	\$ 165,120	\$ 94,715
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating Revenues	\$ 86,343	\$ 68,329	\$ 25,748
Operating Expenses	(324,633)	(129,677)	(34,649)
Operating Income (Loss)	(238,290)	(61,348)	(8,901)
Nonoperating Revenues (Expenses) and Other Revenues, Expenses, Gains, or Losses			
Investment Income, Net of Expenses	70,659	2,697	91
Net Decrease in the Fair Value of Investments	(665)	(569)	(463)
Other Nonoperating Revenues	-	79,435	2,300
Other Nonoperating Expenses	(3,915)	(7,906)	(1,691)
Addition to Permanent Endowments	32,742	-	-
Change in Net Position	(139,469)	12,309	(8,664)
Net Position, Beginning of Year	1,903,074	152,811	103,379
Net Position, End of Year	\$ 1,763,605	\$ 165,120	\$ 94,715

GatorCare Health Management Corporation	Gator Boosters, Inc.	University of Florida Development Corporation	Citrus Research and Development Foundation, Inc.	Total Direct- Support Organizations
\$ -	\$ 5,561	\$ -	\$ -	\$ 178,949
12,896	10,453	2,298	3,691	206,322
10	34	10,832	-	274,282
23,766	452	-	-	1,708,433
36,672	16,500	13,130	3,691	2,367,986
-	15,233	-	-	75,416
36,482	136	265	1,847	137,063
-	126	-	-	116,163
36,482	15,495	265	1,847	328,642
-	34	10,832	-	137,738
-	452	-	-	1,228,625
-	-	-	-	383,947
-	-	-	-	167,062
190	519	2,033	1,844	121,972
\$ 190	\$ 1,005	\$ 12,865	\$ 1,844	\$ 2,039,344
\$ 426	\$ 53,625	\$ 1,290	\$ 10,703	\$ 246,464
(624)	(2,672)	(3,027)	(12,528)	(507,810)
(198)	50,953	(1,737)	(1,825)	(261,346)
-	1,288	-	24	74,759
-	-	-	-	(1,697)
-	-	3,748	3,500	88,983
-	(52,238)	-	-	(65,750)
-	7	-	-	32,749
(198)	10	2,011	1,699	(132,302)
388	995	10,854	145	2,171,646
\$ 190	\$ 1,005	\$ 12,865	\$ 1,844	\$ 2,039,344

Table 34. Health Science Center Affiliates (amounts expressed in thousands)

	Florida Clinical Practice Association, Inc.	University of Florida Jacksonville Physicians, Inc.	Florida Veterinary Medicine Faculty Association, Inc.	University of Florida Jacksonville Healthcare, Inc.	Faculty Associates, Inc.	Total Health Science Center Affiliates
CONDENSED STATEMENT OF NET POSITION						
Assets						
Due from Component Units/University	\$ 30,057	\$ 6,127	\$ 7,899	\$ -	\$ 1,500	\$ 45,583
Other Current Assets	82,224	57,138	2,039	599	7,434	149,434
Capital Assets, Net	45,779	17,283	-	3,222	-	66,284
Other Noncurrent Assets	15,184	-	-	-	-	15,184
Total Assets	173,244	80,548	9,938	3,821	8,934	276,485
Liabilities						
Due to Component Units/University	8,021	-	-	1,049	-	9,070
Other Current Liabilities	2,260	20,088	1,144	2,403	138	26,033
Noncurrent Liabilities	33,916	5,264	-	-	-	39,180
Total Liabilities	44,197	25,352	1,144	3,452	138	74,283
Net Position						
Net Investment in Capital Assets	10,436	11,251	-	3,222	-	24,909
Unrestricted	118,611	43,945	8,794	(2,853)	8,796	177,293
Total Net Position	\$ 129,047	\$ 55,196	\$ 8,794	\$ 369	\$ 8,796	\$ 202,202
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION						
Operating Revenues	\$ 562,841	\$ 244,423	\$ 8,965	\$ 227	\$ 19,076	\$ 835,532
Operating Expenses	(143,227)	(124,695)	(432)	(34,270)	(271)	(302,895)
Operating Income (Loss)	419,614	119,728	8,533	(34,043)	18,805	532,637
Nonoperating Revenues (Expenses)						
Investment Income (Loss), Net of Expenses	(427)	87	3	-	4	(333)
Net Decrease in the Fair Value of Investments	(383)	-	-	-	-	(383)
Other Nonoperating Revenues	-	-	-	34,043	-	34,043
Other Nonoperating Expenses	(399,468)	(111,682)	(7,620)	-	(16,067)	(534,837)
Change in Net Position	19,336	8,133	916	-	2,742	31,127
Net Position, Beginning of Year	109,711	47,063	7,878	369	6,054	171,075
Net Position, End of Year	\$ 129,047	\$ 55,196	\$ 8,794	\$ 369	\$ 8,796	\$ 202,202

Table 35. Shands Hospital and Others (amounts expressed in thousands)

	Shands Teaching Hospital & Clinics, Inc.	Shands Jacksonville HealthCare, Inc.	University of Florida Self-Insurance Program	University of Florida Healthcare Education Insurance Company	Total Shands Hospital and Others
CONDENSED STATEMENT OF NET POSITION					
Assets					
Due from Component Units/University	\$ 56,685	\$ -	\$ -	\$ 49,164	\$ 105,849
Other Current Assets	456,711	225,792	184,517	3,940	870,960
Capital Assets, Net	741,104	203,336	-	-	944,440
Other Noncurrent Assets	767,086	44,894	-	6	811,986
Total Assets	2,021,586	474,022	184,517	53,110	2,733,235
Deferred Outflows of Resources					
Deferred Amounts Related to Pensions	41,573	2,563	-	-	44,136
Accumulated Decrease in Fair Value of Interest Rate Swap Agreements	47,809	348	-	-	48,157
Losses on Debt Refunding	496	-	-	-	496
Total Assets and Deferred Outflows of Resources	2,111,464	476,933	184,517	53,110	2,826,024
Liabilities					
Due to Component Units/University	10,057	41,927	49,164	-	101,148
Other Current Liabilities	220,846	94,821	9,126	9	324,802
Noncurrent Liabilities	920,645	163,550	24,099	7,475	1,115,769
Total Liabilities	1,151,548	300,298	82,389	7,484	1,541,719
Deferred Inflows of Resources					
Deferred Amounts Related to Pensions	78,717	7,422	-	-	86,139
Gains on Debt Refunding	10,758	-	-	-	10,758
Total Liabilities and Deferred Inflows of Resources	1,241,023	307,720	82,389	7,484	1,638,616
Net Position					
Net Investment in Capital Assets	60,853	52,469	-	-	113,322
Restricted-Nonexpendable Endowment	97	-	-	-	97
Restricted-Expendable Endowment	7,646	4,093	-	-	11,739
Other Restricted Net Position	-	-	102,128	45,626	147,754
Unrestricted	801,845	112,651	-	-	914,496
Total Net Position	\$ 870,441	\$ 169,213	\$ 102,128	\$ 45,626	\$ 1,187,408
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION					
Operating Revenues	\$ 1,280,902	\$ 590,077	\$ 10,005	\$ 656	\$ 1,881,640
Operating Expenses	(1,071,317)	(577,609)	(9,517)	2,312	(1,656,131)
Operating Income	209,585	12,468	488	2,968	225,509
Nonoperating Revenues (Expenses)					
Investment Income, Net of Expenses	13,384	10,762	4,727	1,291	30,164
Net Decrease in the Fair Value of Investments	(5,244)	-	-	-	(5,244)
Other Nonoperating Revenues	26,485	419	-	-	26,904
Other Nonoperating Expenses	(170,197)	(22,783)	-	-	(192,980)
Change in Net Position	74,013	866	5,215	4,259	84,353
Net Position, Beginning of Year	937,365	168,347	-	-	1,105,712
Adjustments to Beginning Net Position (Note 2)	(140,937)	-	96,913	41,367	(2,657)
Net Position, Beginning of Year, as Restated	796,428	168,347	96,913	41,367	1,103,055
Net Position, End of Year	\$ 870,441	\$ 169,213	\$ 102,128	\$ 45,626	\$ 1,187,408

Table 36. SEGMENT INFORMATION

	Transportation and Parking Services	Department of Housing and Residence Education
CONDENSED STATEMENT OF POSITION		
Assets		
Current Assets	\$ 7,812,961	\$ 5,092,925
Capital Assets, Net	34,981,268	149,144,199
Other Noncurrent Assets	9,206,157	6,448,844
Total Assets	52,000,386	160,685,968
Liabilities		
Current Liabilities	3,446,262	16,752,238
Noncurrent Liabilities	19,154,954	82,096,253
Total Liabilities	22,601,216	98,848,491
Net Position		
Net Investment in Capital Assets	15,680,386	68,569,199
Restricted	9,200,930	197,712
Unrestricted	4,517,854	(6,929,434)
Total Net Position	\$ 29,399,170	\$ 61,837,477
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating Revenues (Expenses):		
Operating Revenues	\$ 22,161,453	\$ 54,585,412
Depreciation Expense	(2,311,100)	(7,773,736)
Other Operating Expenses	(15,694,856)	(40,552,383)
Operating Income	4,155,497	6,259,293
Nonoperating Revenues (Expenses):		
Investment Income	23,337	257,282
Interest on Capital Asset-Related Debt	(981,062)	(3,781,506)
Other	(1,049,025)	(6,593,656)
Transfers	(2,350,718)	5,593,410
Net Nonoperating Revenues (Expenses)	(4,357,468)	(4,524,470)
Change in Net Position	(201,971)	1,734,823
Net Position, Beginning of Year	29,601,141	60,102,654
Net Position, End of Year	\$ 29,399,170	\$ 61,837,477
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,781,316	\$ 19,397,323
Noncapital Financing Activities	(2,311,019)	(7,710,430)
Capital and Related Financing Activities	(3,798,326)	(37,100,716)
Investing Activities	(671,971)	28,657,276
Net Increase in Cash and Cash Equivalents	-	3,243,453
Cash and Cash Equivalents, Beginning of Year	-	1,327,296
Cash and Cash Equivalents, End of Year	\$ -	\$ 4,570,749

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress - Other Postemployment Benefits Plan *(amounts in thousands)*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 455,677	\$ 455,677	0%	\$ 948,375	48%
7/1/2011	-	643,742	643,742	0%	996,686	65%
7/1/2013 (2)	-	663,395	663,395	0%	1,072,984	62%

Notes:

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

(2) The July 1, 2013, unfunded actuarial liability of \$663.4 million was higher than the July 1, 2011, liability of \$643.7 million due to several factors. While there were fewer retirees and the healthcare trend rates are lower, the rising age of retirees and the potential impact of the excise tax from the Affordable Care Act increased the implicit rate subsidy and offset the decreasing factors.

Schedule of University's Proportionate Share of the Net Pension Liability - Florida Retirement System (FRS) Defined Benefit Pension Plan

	2014 (1) (2)	2013 (1)
University's Proportion of the FRS Net Pension Liability	1.52%	1.23%
University's Proportionate Share of the FRS Net Pension Liability	\$ 92,657,576	\$ 212,307,108
University's Covered-Employee Payroll (3)	\$ 1,024,891,028	\$ 1,053,555,913
University's Proportionate Share of the FRS Net Pension Liability as a Percentage of Covered-Employee Payroll	9.04%	20.15%
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) Changes of assumptions - As of June 30, 2014, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%.
- (3) Covered-employee payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, State University Optional Retirement Program, and 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 (FRS) Defined Benefit Pension Plan

	2015 (1)	2014 (1)
Contractually Required FRS Contribution	\$ 38,680,557	\$ 33,264,015
FRS Contributions in Relation to the Contractually Required FRS Contribution	(38,680,557)	(33,264,015)
Contribution Deficiency (Excess)	\$ -	\$ -
University's Covered-Employee Payroll (2)	\$ 1,066,940,109	\$ 1,024,891,028
FRS Contributions as a Percentage of Covered-Employee Payroll	3.63%	3.25%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered-employee payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, State University Optional Retirement Program, and 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's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy (HIS) Defined Benefit Pension Plan

	2014 (1) (2)	2013 (1)
University's Proportion of the HIS Net Pension Liability	1.41%	1.38%
University's Proportionate Share of the HIS Net Pension Liability	\$ 131,969,507	\$ 120,063,826
University's Covered-Employee Payroll (3)	\$ 396,471,815	\$ 382,427,384
University's Proportionate Share of the HIS Net Pension Liability as a Percentage of Covered-Employee Payroll	33.29%	31.40%
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) Change of assumption - The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.
- (3) Covered-employee payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, and DROP.

Schedule of University Contributions - Health Insurance Subsidy (HIS) Defined Benefit Pension Plan

	2015 (1)	2014 (1)
Contractually Required HIS Contribution	\$ 5,578,364	\$ 4,834,988
HIS Contributions in Relation to the Contractually Required HIS Contribution	<u>(5,578,364)</u>	<u>(4,834,988)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
University's Covered-Employee Payroll (2)	\$ 413,619,247	\$ 396,471,815
HIS Contributions as a Percentage of Covered-Employee Payroll	1.35%	1.22%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered-employee payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, and DROP.



AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 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 February 17, 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*.

We noted certain matters that we reported to University management in our operational audit report No. 2016-058.

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
February 17, 2016
Audit Report No. 2016-098

EXECUTIVE OFFICERS

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Vice President for University Relations

[Elias G. Eldayrie](#)

Vice President and Chief Information Officer

[Paula Varnes Fussell](#)

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PRINCIPAL FINANCE AND ACCOUNTING OFFICIALS

[Alan M. West](#)

Assistant Vice President and University Controller

[Brad S. Staats](#)

Assistant Vice President for Contracts and Grants Accounting Services

[Bradley W. Bennett](#)

Senior Associate Controller for University Disbursement Services, Asset Management, and Cost Analysis

[Kathleen M. Tillett](#)

Senior Associate Controller for General Accounting, Financial Reporting, Payroll and Tax Services

[Vacant](#)

Senior Associate Controller for University Bursar and Treasury Management

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**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
COMMITTEE ACTION ITEM AO1
March 31, 2016**

SUBJECT: University of Florida Operational Audit issued December 2015

BACKGROUND INFORMATION

In December 2015, the State of Florida Auditor General released the Operational Audit Report No. 2016-058 on the University of Florida covering the Fiscal Year Ended June 30, 2015. The objectives of this operational audit were to: (1) obtain an understanding and make overall judgments as to whether University internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the University; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) determine whether the University had taken corrective actions for findings included in the prior operational audit report. University management has responded to all audit comments and provided a plan of action to address the audit recommendations. University responses to the audit comments are included in the audit report.

PROPOSED COMMITTEE ACTION

The Committee on Audit and Operations Review is asked to approve the University of Florida’s Operational Audit issued in December, 2015, covering the Fiscal Year Ended June 30, 2015, including the planned actions to address the audit recommendations for recommendation to the Board of Trustees for approval on the Consent Agenda.

SIGNIFICANT POLICY ISSUES FOR COMMITTEE TO CONSIDER

Board of Governors approval is not required.

Supporting Documentation Included: See attached report

Submitted by: Brian Mikell, Chief Audit Executive

Approved by the University of Florida Board of Trustees, April 1, 2016.

Steven M. Scott, Chair

W. Kent Fuchs, President and Corporate Secretary



The Foundation for The Gator Nation

**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
COMMITTEE ACTION ITEM AO2
March 31, 2016**

SUBJECT: University of Florida Annual Financial Report for the Fiscal Year Ended June 30, 2015

BACKGROUND INFORMATION

On February 17, 2016 the State of Florida Auditor General issued its report on the audit of the financial statements of the University of Florida for the Fiscal Year ended June 30, 2015. The Auditor General issued an unmodified opinion on the financial statements. Subsequent to the release and receipt of the opinion, the University published its Annual Financial Report on February 17, 2016 which includes the Auditor General's audit report.

PROPOSED COMMITTEE ACTION

The Committee on Audit and Operations Review is asked to approve the University of Florida Annual Financial Report for the Fiscal Year ended June 30, 2015 for recommendation to the Board of Trustees for approval on the Consent Agenda.

SIGNIFICANT POLICY ISSUES FOR COMMITTEE TO CONSIDER

Board of Governors approval is not required. Submission to the Board of Governors of a copy of the report and financial statements is required.

Supporting Documentation Included: See attached Annual Financial Report
Submitted by: Brian Mikell, Chief Audit Executive

Approved by the University of Florida Board of Trustees, April 1, 2016.

Steven M. Scott, Chair

W. Kent Fuchs, President and Corporate Secretary

APPENDIX

Note: For direct access to individual documents in the Appendix (without scrolling) go to the Agenda and click on the blue links, or go to the bookmarks (upper left hand corner on the iPad or upper right hand corner on the computer).

Audit Summary

University Athletic Association Purchasing Card Program
As of August 31, 2015

Audit Report # UF-16-677-14
Issued January 6, 2016

Objective:

The Office of Internal Audit conducted an audit of the University Athletic Association (UAA) Purchasing Card (PCard) program as of August 31, 2015. The primary objective of this audit was to evaluate the adequacy and effectiveness of controls in place for the administration of the program. Specifically, we focused on program policies and procedures, monitoring controls and transactional compliance with UAA policies and procedures.

Background:

The UAA PCard program was jointly administered and managed by UAA Procurement Services and Accounting. The UAA had limited PCards to non-sport departments (approximately 40 individuals). In September 2014, management expanded the PCard program to help reduce the number of employee reimbursements and address the change in the National Collegiate Athletic Association rules allowing institutions to provide meals and snacks to student-athletes as a benefit incidental to participation. PCards were issued to staff within sport departments, hoping to provide staff a convenient way to purchase goods and services for their departments.

As of August 31, 2015, the UAA had issued 19 PCards to sport departments and 60 PCards to non-sport departments. From September 2014 to August 2015, the UAA incurred approximately 6,900 PCard transactions, totaling \$2.8 million.

Conclusion:

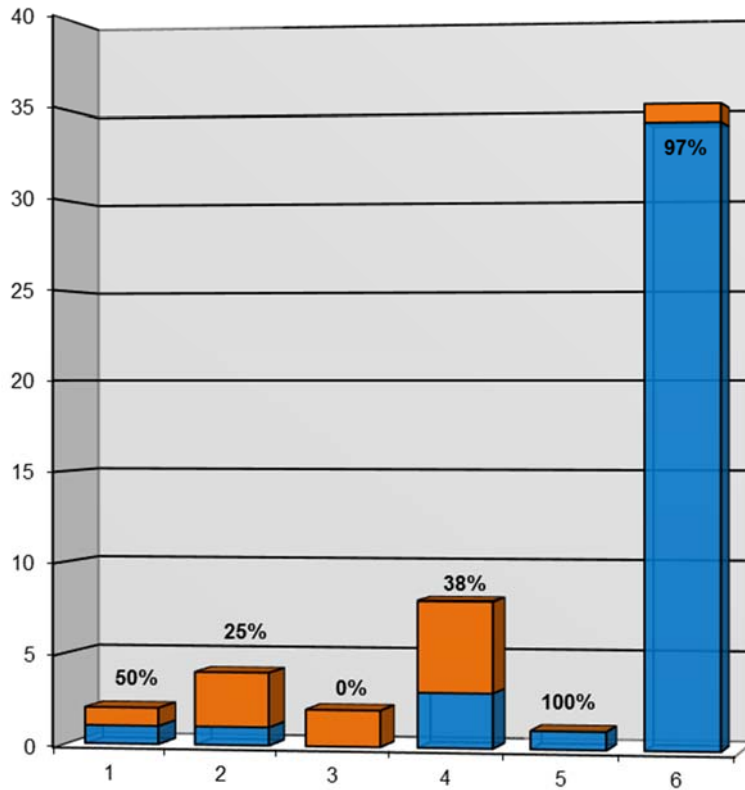
PCard purchases do not require traditional controls such as a purchase requisition, purchase order, or receiving report. Therefore, for the achievement of accountability objectives, adequate control procedures must be established and followed at the department and central administration levels. We identified and evaluated the UAA's controls over the administration and management of the PCard program by reviewing written policies and evaluating processes at departmental and central levels. We also performed tests of transactions to evaluate the effectiveness of these controls and the level of compliance with the established policies.

Based on the results of our audit procedures, we concluded that controls over the administration of the UAA PCard program were adequate. While our conclusion indicated that controls were in place and functioning as designed, UAA management and the audit team agreed on the following action plans to address noted improvement opportunities:

- ◆ Revise and update PCard policies to improve the documentation requirements and reinforce consequences for fraudulent use
- ◆ Develop a procedure to evaluate card use and determine if the standard limits should be revised
- ◆ Communicate with departments and enhance training efforts to promote appropriate approval processes

**University of Florida Office of Internal Audit
Follow-up Statistics as of December 31, 2015
(Second Quarter)**

**Planned Action
Implementation Percentage**



- | | |
|------------------------------|------------------|
| 1. Academic Affairs | 4. IFAS |
| 2. Chief Financial Officer | 5. UAA |
| 3. Chief Information Officer | 6. UF Foundation |

Oversight by	Total	Balance	Current Quarter Statistics				
	Outstanding as of 12/31/15	Due in Subsequent Quarters	Follow Up Due and Reviewed	Implemented	In process (extended)	Follow Up Ceased	Percent Implemented
Academic Affairs	3	1	2	1	1	-	50%
Chief Financial Officer	5	1	4	1	3	-	25%
Chief Information Officer	2	-	2	-	2	-	0%
IFAS	8	-	8	3	5	-	38%
Athletic Association	2	1	1	1	-	-	100%
UF Foundation	36	1	35	34	1	-	97%
Totals	56	4	52	40	12	-	77%

University of Florida Office of Internal Audit
Summary of Significant Comments and Follow-up Ceased
Period ending December 31, 2015
(Second Quarter)

The following comments for this period were noted as significant based on the report issued, or we have ceased follow-up after two attempts.

UNIVERSITY OF FLORIDA CONSULTING AND CONTRACTING, UF-13-616-03 ISSUED JUNE 28, 2013

COMMENT 1 – CENTRAL MONITORING, GUIDANCE AND TRAINING: The university may engage in the provision of services to an outside entity (revenue contracts) or may request and pay for services provided by an outside entity (expenditure contracts). Either process may require some form of contract documenting the agreement terms between the parties. At a minimum, the contract should be properly authorized and should have enough information to clearly identify the due dates, rates, scope of work and deliverables.

Well-documented policies and procedures for contractual agreements promote the achievement of intuitional goals and help to ensure consistency in handling the agreements. Adequate training and communication provides guidance to the units and the core offices and promotes proper contract management.

The planned action stated for **Revenue Contracts**:

The Chief Financial Officer will work with the General Counsel to assign responsibility for developing and monitoring university internal control activities for miscellaneous revenue contracts including the development of policies, procedures, guidance and training. This will include communicating university contracting guidance and contract routing procedures developed by the contract committee.

The university has developed guidelines on where to send a contract or agreement for review and signature. These guidelines were published on the Office of Research website and identify the various types of agreements and which core office is responsible for handling them. The university is still working to complete the guidance and communicate this information to campus through an Administrative Memo. Internal policies and a method of tracking/monitoring contracts have not yet been developed. **Partially implemented, follow-up extended.**

The planned action stated for **Expenditure Contracts**:

UF Purchasing management will enhance training and guidance to university units on expenditure contract management.

Plans were to enhance core office policies and unit training on continued contract management. Contract management software integrated into the myUF Market requisitioning system has been acquired and initially installed. Training and conversion of existing contracts into the new tool is ongoing. Policy and training enhancements as well as methods for monitoring contracts (both revenue and expenditure) have been delayed. **Partially implemented, follow-up extended.**

COMMENT 1 – COMMUNICATION OF RISKY EVENT PROCEDURES AND LIABILITY INSURANCE: Best practices regarding how to identify a risky club event, how to determine which events require liability insurance, and how to obtain the required additional liability insurance should be developed and communicated to the Gator Clubs.

We reviewed the written policies and procedures available to the Gator Clubs, noting that best practices regarding risky event planning and liability insurance were not formally documented. Survey responses from six of the Regional Vice Presidents noted some clubs did not adequately know how to identify which events were risky enough to require additional liability insurance, or clubs were not aware how to obtain additional liability insurance. Club leadership was not required to attend the annual training sessions and the UFAA relied on clubs to seek the advice of UFAA staff and the RVPs for planning risky events or obtaining additional liability insurance.

UFAA management stated they would:

- a) Enhance the 'Planning an Event' portion of the Gator Club Leader Handbook to include a risky events section that defines a risky event and provides information about how clubs should plan for risky events.
- b) Develop procedures for documenting and maintaining documentation of Gator Clubs' attendance at the annual Legal and Compliance training sessions.
- c) Develop a web based training module that includes training for risky events to be completed by at least one officer in each Gator Club.

Management has developed procedures related to risky events and communicated the information with the Gator Club Officers and Directors. The established procedure is also available for reference in the Document Library of the Gator Club Administrative Site. Procedures for maintaining documentation of the annual Legal and Compliance training attended by Gator Clubs have been enhanced. In addition, management has developed a web-based training for risky events for Gator Club's officers to complete. **Implemented.**

CITRUS RESEARCH AND DEVELOPMENT FOUNDATION INC, UF-15-647-01 ISSUED JULY 24, 2015

COMMENT 4 – CONFLICTS OF INTERESTS: The Foundation has developed a Conflict of Interest (COI) policy that required interested persons (director, principal officer or member of committee) with governing board delegated powers to disclose any potential conflicting financial interests. The purpose of the policy is to protect the organization's interest when contemplating entering into transactions or arrangements that might benefit private interests of the interested parties. The Board has the responsibility to determine whether a conflict actually exists. Adequate documentation should be maintained to demonstrate that the due diligence was performed and the conflict was handled in accordance with the policy established by the Foundation.

In our testing we noted that the annual statements were not always submitted in a timely manner, did not always provide sufficient information for an appropriate assessment of the potential conflict of interest, and documentation did not always exist to determine that they were properly evaluated by the Board.

Management will enhance procedures to be in compliance with the COI policy by improving annual statement collection and monitoring procedures. Management will have the Board document its review of the annual statements and the resulting management plans to demonstrate conflicts were evaluated and adhere to the Foundation's policies.

The Governance Committee has expanded the COI policy to include other committees and consultants. Management provided a plan to enhance the policy, modify forms to help document approval, and improve monitoring controls. The procedures are expected to be implemented in June 2016. **Partially implemented, follow-up extended.**

UNIVERSITY OF FLORIDA
SUMMARY OF AUDIT REPORTS FOR AFFILIATED ORGANIZATIONS
Year Ended 2015

	Fiscal Year Ended	Auditors' Opinion on Financial Statements	Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters				Management Letter Comments?
			Instances of Noncompliance?	Control Deficiencies?	Control Deficiencies Significant?	Control Deficiencies Considered Material Weaknesses?	
DIRECT-SUPPORT ORGANIZATIONS							
1. University of Florida Foundation, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
2. University of Florida Research Foundation, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
3. The University Athletic Association, Inc.	June 30, 2015	Unmodified	No	No	No	No	Yes
4. Gator Boosters, Inc.	June 30, 2015	Unmodified	No	No	No	No	Yes
5. The University of Florida Law Center Association, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
6. Florida Foundation Seed Producers, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
7. Florida 4-H Club Foundation, Inc.	March 31, 2015	Unmodified	No	No	No	No	Yes
8. Southwest Florida Research and Education Foundation, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
9. Citrus Research and Education Foundation, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
10. Citrus Research and Development Foundation, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
11. University of Florida Leadership & Education Foundation, Inc.	December 31, 2014	Unmodified	No	No	No	No	No
12. Treasure Coast Agricultural Research Foundation, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
13. University of Florida Alumni Association, Inc. (1)	June 30, 2015						
14. University of Florida Investment Corporation	June 30, 2015	Unmodified	No	No	No	No	No
15. University of Florida Historic St. Augustine	June 30, 2015	Unmodified	No	No	No	No	No
16. University of Florida Development Corporation	June 30, 2015	Unmodified	No	No	No	No	No
17. GatorCare Health Management Corporation	June 30, 2015	Unmodified	No	No	No	No	Yes
HEALTH SCIENCE CENTER AFFILIATES							
1. Florida Clinical Practice Association, Inc. (College of Medicine)	June 30, 2015	Unmodified	No	No	No	No	No
2. University of Florida Jacksonville Physicians, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
3. Faculty Associates, Inc. (College of Dentistry)	June 30, 2015	Unmodified	No	No	No	No	No
4. Florida Health Professions Association, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
5. University of Florida College of Nursing Faculty Practice Association, Inc.	June 30, 2015	Unmodified	No	No	No	No	Yes
6. University of Florida College of Pharmacy Faculty Practice Association, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
7. Florida Veterinary Medicine Faculty Association, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
8. University of Florida Jacksonville Healthcare, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
9. Faculty Clinic, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
OTHER AFFILIATED ORGANIZATIONS							
1. Shands Teaching Hospital and Clinics, Inc. and Subsidiaries	June 30, 2015	Unmodified	No	No	No	No	No
2. Shands Jacksonville Healthcare, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
3. University of Florida Self-Insurance Program (Including HEIC)	June 30, 2015	Unmodified	No	No	No	No	No
Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Awards Program and/or State Financial Assistance Project and Schedule of Expenditures of Federal Awards (As Applicable)							
	Year Ended	Opinion	Report on Compliance - Instances of Non-Compliance?	Report on Internal Control Over Compliance - Control Deficiencies?	Report on Internal Control Over Compliance - Deficiencies Significant?	Report on Internal Control Over Compliance - Deficiencies Considered Material Weaknesses?	Other Findings and/or Questioned Costs?
AFFILIATED ORGANIZATION							
University of Florida Foundation, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
Citrus Research and Development Foundation, Inc.	June 30, 2015	Unmodified	No	No	No	No	No
Shands Teaching Hospital and Clinics, Inc. and Subsidiaries	June 30, 2015	Unmodified	No	No	No	No	No
Shands Jacksonville Healthcare, Inc.	June 30, 2015	Unmodified	No	No	No	No	No

(1) The accounts related to the University of Florida Alumni Association, Inc. are included in the financial statements of the University of Florida Foundation, Inc. (UFF). The operating activities of the Alumni Association are presented in Note 13 to UFF's Financial Statements.

Note: Changes to report subsequent to December 2015 BOT Audit Committee Meeting are highlighted.

UNIVERSITY OF FLORIDA
SUMMARY OF AUDIT REPORTS FOR AFFILIATED ORGANIZATIONS
Year Ended 2015

	Control Deficiencies and/or Management Comments 2014?	Control Deficiencies and/or Management Comments 2015?	Repeat Finding(s) from Prior Year?	Summary of Repeat Finding(s)
DIRECT SUPPORT ORGANIZATIONS				
1. University of Florida Foundation, Inc.	No	No	N/A	
2. University of Florida Research Foundation, Inc.	No	No	N/A	
3. The University Athletic Association, Inc.	Yes	Yes	Yes	Seat contributions below required minimum
4. Gator Boosters, Inc.	Yes	Yes	Yes	Seat contributions below required minimum
5. The University of Florida Law Center Association, Inc.	No	No	N/A	
6. Florida Foundation Seed Producers, Inc.	Yes	No	N/A	
7. Florida 4-H Club Foundation, Inc.	No	Yes	N/A	
8. Southwest Florida Research and Education Foundation, Inc.	No	No	N/A	
9. Citrus Research and Education Foundation, Inc.	No	No	N/A	
10. Citrus Research and Development Foundation, Inc.	No	No	N/A	
11. University of Florida Leadership & Education Foundation, Inc.	No	No	N/A	
12. Treasure Coast Agricultural Research Foundation, Inc.	No	No	N/A	
13. University of Florida Alumni Association, Inc. (1)				
14. University of Florida Investment Corporation	No	No	N/A	
15. University of Florida Historic St. Augustine	No	No	N/A	
16. University of Florida Development Corporation	No	No	N/A	
17. GatorCare Health Management Corporation	No	Yes	N/A	
HEALTH SCIENCE CENTER AFFILIATES				
1. Florida Clinical Practice Association, Inc. (College of Medicine)	No	No	N/A	
2. University of Florida Jacksonville Physicians, Inc.	No	No	N/A	
3. Faculty Associates, Inc. (College of Dentistry)	Yes	No	N/A	
4. Florida Health Professions Association, Inc.	No	No	N/A	
5. University of Florida College of Nursing Faculty Practice Association, Inc.	Yes	Yes	N/A	
6. University of Florida College of Pharmacy Faculty Practice Association, Inc.	No	No	N/A	
7. Florida Veterinary Medicine Faculty Association, Inc.	No	No	N/A	
8. University of Florida Jacksonville Healthcare, Inc.	No	No	N/A	
9. Faculty Clinic, Inc.	No	No	N/A	
OTHER AFFILIATED ORGANIZATIONS				
1. Shands Teaching Hospital and Clinics, Inc. and Subsidiaries	No	No	N/A	
2. Shands Jacksonville Healthcare, Inc.	Yes	No	N/A	
3. University of Florida Self-Insurance Program (Including HEIC)	No	No	N/A	

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Note: Changes to report subsequent to December 2015 BOT Audit Committee Meeting are highlighted.

UNIVERSITY OF FLORIDA
SUMMARY OF AUDIT REPORTS FOR AFFILIATED ORGANIZATIONS
Year Ended 2015

	Fiscal Year Ended	Net Position or Fund Equity EOY per PY's FS	Net Position or Fund Equity Beginning of Year (As Restated If Applicable)	Year Ended 2015		Net Position or Fund Equity End of Year	Fiscal Year Totals		
				Total Assets and Deferred Outflows	Total Liabilities and Deferred Inflows		Total Revenues and Other Additions	Total Expenses and Other Deductions	Change in Net Position (Increase/(Decrease))
DIRECT-SUPPORT ORGANIZATIONS									
1. University of Florida Foundation, Inc.	June 30, 2015	1,903,073,667	1,903,073,667	1,860,569,309	96,964,697	1,763,604,612	189,743,626	329,212,681	(139,469,055)
2. University of Florida Research Foundation, Inc.	June 30, 2015	103,378,781	103,378,781	120,555,609	25,840,181	94,715,428	28,138,835	36,802,188	(8,663,353)
3. The University Athletic Association, Inc.	June 30, 2015	152,810,942	152,810,942	316,869,377	151,748,973	165,120,404	149,892,133	137,582,671	12,309,462
4. Gator Boosters, Inc.	June 30, 2015	995,197	995,197	13,563,363	15,495,317	1,004,729	55,399,256	55,389,724	9,532
5. The University of Florida Law Center Association, Inc.	June 30, 2015	7,023,750	7,023,750	7,186,257	18,032	7,168,225	1,125,947	981,472	144,475
6. Florida Foundation Seed Producers, Inc.	June 30, 2015	5,166,053	5,166,053	11,116,052	5,367,675	5,748,377	2,556,561	1,974,237	582,324
7. Florida 4-H Club Foundation, Inc.	March 31, 2015	3,021,723	2,992,378	3,254,770	62,262	3,192,508	2,516,030	2,315,900	200,130
8. Southwest Florida Research and Education Foundation, Inc.	June 30, 2015	128,109	128,109	119,191	202	118,989	99,991	109,111	(9,120)
9. Citrus Research and Education Foundation, Inc.	June 30, 2015	1,371,275	1,371,275	1,058,977	38,491	1,020,486	807,607	1,158,396	(350,789)
10. Citrus Research and Development Foundation, Inc.	June 30, 2015	2,014,540	2,014,540	3,690,629	1,846,816	1,843,813	12,357,483	12,528,210	(170,727)
11. University of Florida Leadership & Education Foundation, Inc.	December 31, 2014	1,026,957	1,026,957	2,774,668	1,750,896	1,023,772	3,428,344	3,431,529	(3,185)
12. Treasure Coast Agricultural Research Foundation, Inc.	June 30, 2015	218,552	218,552	165,005	0	165,005	210	53,757	(53,547)
13. University of Florida Alumni Association, Inc. (1)									
14. University of Florida Investment Corporation	June 30, 2015	634,654	634,654	2,289,537	1,764,097	525,440	3,358,769	3,467,983	(109,214)
15. University of Florida Historic St. Augustine	June 30, 2015	1,289,632	1,289,632	1,819,136	69,623	1,749,513	830,864	370,983	459,881
16. University of Florida Development Corporation	June 30, 2015	10,795,674	10,795,674	13,129,847	264,674	12,865,173	5,038,251	2,968,752	2,069,499
17. GatorCare Health Management Corporation	June 30, 2015	387,556	387,556	36,672,384	36,482,660	189,724	426,171	624,003	(197,832)
HEALTH SCIENCE CENTER AFFILIATES									
1. Florida Clinical Practice Association, Inc. (College of Medicine)	June 30, 2015	109,710,702	109,710,702	173,244,441	44,197,355	129,047,086	563,242,778	543,906,394	19,336,384
2. University of Florida Jacksonville Physicians, Inc.	June 30, 2015								
3. Faculty Associates, Inc. (College of Dentistry)	June 30, 2015	5,925,091	5,925,091	8,933,765	137,772	8,795,993	19,209,041	16,338,139	2,870,902
4. Florida Health Professions Association, Inc.	June 30, 2015	3,275,298	3,275,298	4,734,445	676,982	4,057,463	6,582,330	5,800,165	782,165
5. University of Florida College of Nursing Faculty Practice Association, Inc.	June 30, 2015	4,722,373	4,722,373	4,419,816	0	4,419,816	808,559	1,111,116	(302,557)
6. University of Florida College of Pharmacy Faculty Practice Association, Inc.	June 30, 2015	1,736,697	1,736,697	3,377,278	1,219,831	2,157,447	5,126,457	4,705,707	420,750
7. Florida Veterinary Medicine Faculty Association, Inc.	June 30, 2015	7,877,992	7,877,992	9,937,600	1,143,280	8,794,320	8,968,414	8,052,086	916,328
8. University of Florida Jacksonville Healthcare, Inc.	June 30, 2015	369,091	369,091	3,821,102	3,452,011	369,091	34,269,870	34,269,870	0
9. Faculty Clinic, Inc.	June 30, 2015	1,496,967	1,496,967	4,916,602	3,382,714	1,533,888	1,526,498	1,489,577	36,921
OTHER AFFILIATED ORGANIZATIONS									
1. Shands Teaching Hospital and Clinics, Inc. and Subsidiaries (In Thousands)	June 30, 2015	937,365	796,428	2,111,464	1,241,023	870,441	1,315,527	1,241,514	74,013
2. Shands Jacksonville Healthcare, Inc. (In Thousands)	June 30, 2015	168,347	148,705	476,933	307,720	169,213	608,799	588,291	20,508
3. University of Florida Self-Insurance Program (Including HEIC)	June 30, 2015	138,279,176	138,279,176	237,627,923	89,874,020	147,753,903	16,679,424	7,204,697	9,474,727

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