



**AUDITOR GENERAL**  
WILLIAM O. MONROE, CPA



**UNIVERSITY OF NORTH FLORIDA**  
Financial Audit

For the Fiscal Year Ended June 30, 2004

During the audit period, the President of the University was Mr. John A. Delaney. Members of the University's Board of Trustees who served during the audit period are listed below:

**Board Member**

Carol C. Thompson, Chair  
Steve T. Halverson, Vice Chair  
Edythe M. Abdullah  
Dr. Terry M. Bowen to 8-5-03  
Luther W. Coggin  
Toni Crawford  
Thomas O'Neal Douglas  
Wilfredo J. Gonzalez  
Ann C. Hicks  
Wanyonyi J. Kendrick  
Dr. Judith L. Solano from 8-6-03  
R. Bruce Taylor  
Kevin M. Twomey  
Jerry Watterson (1)

Note: (1) The student body president, who is a voting member of the Board in accordance with Section 1001.71(1), Florida Statutes.

UNIVERSITY OF NORTH FLORIDA

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**EXECUTIVE SUMMARY**

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The audit of the financial statements of the University of North Florida for the fiscal year ended June 30, 2004, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the University, a component unit of the State of Florida, and a determination as to whether management has complied with applicable laws, administrative rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the University is included in our Statewide audit of Federal awards administered by the State of Florida.

The following provides a summary of the findings of our audit of the financial statements of the University:

- We found that the University's financial statements presented fairly, in all material respects, the financial positions of the University and its aggregate discretely presented component units as of June 30, 2004; the revenues, expenses, and changes in net assets; and the cash flows for the fiscal year then ended.
- We noted no matters involving the University's internal control over financial reporting and its operation that we considered to be material weaknesses.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was conducted by Donald D. Hemmingway, CPA, and supervised by John P. Duffy, CPA. Please address inquiries regarding this report to James E. Raulerson, CPA, Audit Manager, via e-mail at [jimraulerson@aud.state.fl.us](mailto:jimraulerson@aud.state.fl.us) or by telephone at (850) 487-4468. This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# 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 FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of North 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, 2004, as shown on pages 13 through 36. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, as described in note 1 to the financial statements, which comprise 100 percent of the transactions and account balances of the discretely presented component units column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of North Florida and of its aggregate discretely presented component units as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the University of North Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



William O. Monroe, CPA  
January 18, 2005



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

We have audited the financial statements of the University of North 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, 2004, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. 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. Our report on the financial statements included disclosures regarding our reference to the reports of other auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the University's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative 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*.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA  
January 18, 2005

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**OVERVIEW OF THE FINANCIAL STATEMENTS  
AND FINANCIAL ANALYSIS**

The University of North Florida presents its financial statements for the fiscal year ended June 30, 2004. The University accounts for its transactions in accordance with the pronouncements issued by the Governmental Accounting Standards Board (GASB).

The University presents its statements as a business-type activity (BTA) under the provisions of GASB Statement Nos. 34 and 35. The BTA format includes accounting on an accrual basis and the recording of depreciation. The BTA format also requires presentation of: (1) assets and liabilities as current and noncurrent, (2) revenues and expenses as operating and nonoperating, (3) the use of the direct method for statement of cash flows, and (4) a management's discussion and analysis of the financial results.

The objective of the management's discussion and analysis focuses on current activities, resulting changes, and currently known facts to provide the reader with an overall summary of the accompanying financial statements. It should be read in conjunction with the basic financial statements and accompanying notes. Responsibility for the completeness and fairness of this information rests with the University's management.

The basic financial statements are comprised of the following:

- Statement of Net Assets
- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

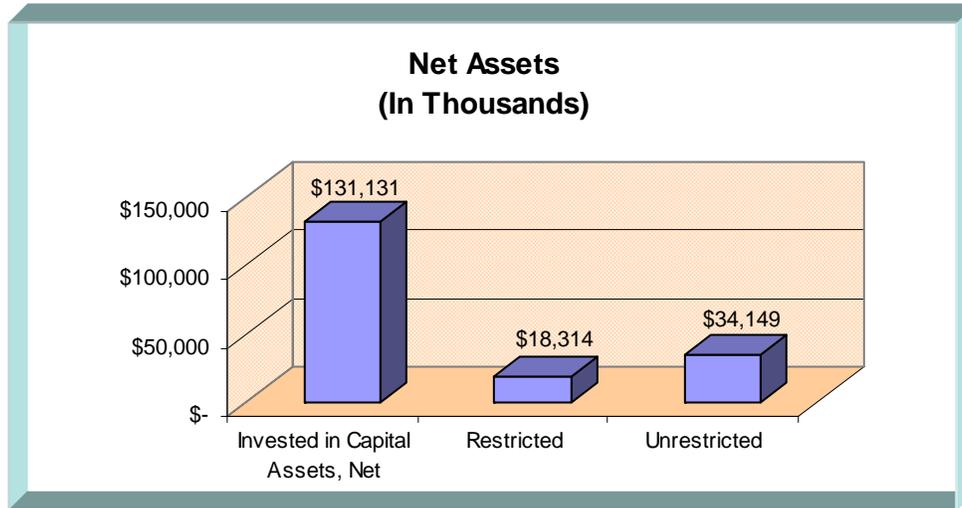
The objective of these financial statements is to provide full and adequate disclosure of all pertinent financial information. When analyzing the financial statements of the University of North Florida, interested external parties are able to evaluate the efficiency and effectiveness of the University's operations, and determine the extent to which fiscal and other compliance responsibilities have been met.

Listed below are entities that are represented in the management's discussion and analysis:

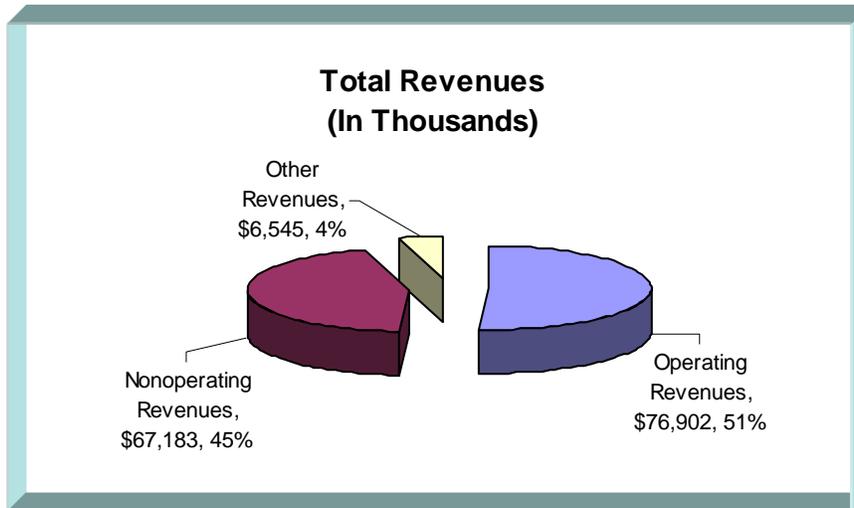
- University of North Florida (Primary Institution) – Reporting financial activities of the University for fiscal year ended June 30, 2004. The University's principal operating activities consist of instruction, research, and public service.
- University of North Florida Foundation, Inc. (Foundation), and the University of North Florida Training and Services Institute, Inc. (TSI), (Component Units) – Reporting financial activities of the Foundation and TSI for the fiscal year ended June 30, 2004. During the current fiscal year, the Foundation and TSI were able to complete their audited financial statements to match the University's fiscal year reporting period. These two not-for-profit corporations receive, hold, invest, and administer property and make expenditures to or for the benefit of the University or its programs as legally separate but discretely presented component units.

**FINANCIAL HIGHLIGHTS**

The University’s financial position improved during the fiscal year ended June 30, 2004, with its net assets now totaling \$184 million. The University’s revenues and other support exceeded expenses by \$9 million, resulting in a 5.2 percent increase in University net assets. Most of the increase resulted from additions to capital assets owned by the University and State moneys for funding future construction. The following graph presents net assets by category of the University for the fiscal year ended June 30, 2004:



The following chart provides a graphical presentation of the University’s revenues by category for the 2003-04 fiscal year:



Also, the University’s component units’ revenues exceeded expenses increasing their net assets by \$9.6 million, or 13 percent, for the fiscal year ended June 30, 2004.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) *Statement No. 35, Basic Financial Statements and Management’s Discussion and*

*Analysis for Public Colleges and Universities.* GASB made significant changes to how the University presents its financial activities starting with the 2001-02 fiscal year.

One of the most important questions asked about the University's finances is whether the University, as a whole, is better off or worse off as a result of the year's activities. The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the University as a whole and on its activities in a way that helps answer this question. These statements present financial information in a form similar to that used by corporations. Examining the University's net assets is one way to evaluate the University's financial health. Over time, increases or decreases in net assets can indicate the improvement or erosion of the University's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities.

### **THE STATEMENT OF NET ASSETS**

The statement of net assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The statement of net assets is a point-in-time financial statement.

The purpose of the statement of net assets is to present to the readers of the financial statements a fiscal snapshot of the University of North Florida. The statement of net assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

From the data presented, readers of the statement of net assets are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors and other entities. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for use by the University.

Net assets are divided into three major categories. The first category is invested in capital assets, net of related debt. This represents the University's equity in property, plant, and equipment. The next asset category is restricted net assets. Expendable restricted net assets are available for use by the University, but must be spent for purposes as determined by grantors and external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available for use by the University for any lawful purpose of the University.

A condensed statement of net assets for the University and its aggregate component units for the respective fiscal years ended June 30 is shown below:

<b>Net Assets, June 30</b>				
<b>(In Thousands)</b>				
	University		Component Units	
	2004	2003	2004	2003
<b>Assets</b>				
Current Assets	\$ 105,503	\$ 99,092	\$ 21,663	\$ 28,008
Noncurrent Assets	7,210	2,834	69,111	54,867
Capital Assets, Net of Depreciation	<u>142,408</u>	<u>138,177</u>	<u>41,692</u>	<u>40,327</u>
<b>Total Assets</b>	<u>255,121</u>	<u>240,103</u>	<u>132,466</u>	<u>123,202</u>
<b>Liabilities</b>				
Current Liabilities	42,575	35,416	1,526	1,490
Deferred Revenue	9,770	10,958	743	152
Noncurrent Liabilities	<u>19,182</u>	<u>19,207</u>	<u>46,871</u>	<u>47,800</u>
<b>Total Liabilities</b>	<u>71,527</u>	<u>65,581</u>	<u>49,140</u>	<u>49,442</u>
<b>Net Assets</b>				
Investment in Capital Assets, Net of Debt	131,131	125,349	(7,116)	(7,873)
Restricted	18,314	25,991	80,951	72,842
Unrestricted	<u>34,149</u>	<u>23,182</u>	<u>9,490</u>	<u>8,791</u>
<b>Total Net Assets</b>	<u>\$ 183,594</u>	<u>\$ 174,522</u>	<u>\$ 83,325</u>	<u>\$ 73,760</u>
<b>Increase in Net Assets</b>	<u>\$ 9,072</u>	5.20%	<u>\$ 9,565</u>	12.97%

For a more detailed understanding of the University's and its component units' net assets, the reader should review the statement of net assets and the notes to financial statements.

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

Changes in total net assets are summarized based on the related types of financial activity, and are presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the revenues, both operating and nonoperating; expenses, both operating and nonoperating; and any other revenues, expenses, gains and losses to explain why and how the University's net assets changed between fiscal years or accounting periods.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. For example, State appropriations are nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues.

A condensed statement of revenues, expenses, and changes in net assets for the University and its aggregate component units for the respective fiscal years is shown below:

<b>Operating Results (In Thousands)</b>				
	University		Component Units	
	2003-04	2002-03	2003-04	2002-2003
Operating Revenues	\$ 76,902	\$ 65,187	\$ 23,408	\$ 21,788
Operating Expenses	(135,102)	(126,988)	(26,497)	(22,717)
<b>Operating Loss</b>	(58,200)	(61,801)	(3,089)	(929)
Nonoperating Revenues	63,027	63,954	8,475	4,208
<b>Income Before Other Contributions</b>	4,827	2,153	5,386	3,279
Capital Contributions	6,545	16,313	4,179	7,157
Disposal of Capital Asset	(2,300)			
<b>Change in Net Assets</b>	9,072	18,466	9,565	10,436
Net Assets, Beginning of Year	174,522	159,161	73,760	63,324
Adjustments to Beginning Net Assets		(3,105)		
<b>Net Assets, End of Year</b>	<u>\$ 183,594</u>	<u>\$ 174,522</u>	<u>\$ 83,325</u>	<u>\$ 73,760</u>
<b>Increase in Net Assets</b>	<u>\$ 9,072</u>	5.20%	<u>\$ 9,565</u>	12.97%

It was a positive year with increases in net assets both for the University and its component units. University income was \$4.8 million before capital contributions and the aggregate component unit income was \$5.4 million before capital contributions. For a more detailed understanding of the University's and its component units' financial activities, the reader should review the statement of revenues, expenses, and changes in net assets and the notes to financial statements. Some highlights of the information presented on the University's statement of revenues, expenses, and changes in net assets are as follows:

- Operating revenues were \$76.9 million, including \$34.2 million in net student tuition and fees revenues, \$16.1 in Federal contracts and grants, and \$4.4 million in sales and services of education departments, mostly continuing education.
- Operating expenses were \$135.1 million, including \$84.7 million for personnel services and \$12.4 million for scholarships and waivers. For additional analysis, the functional distribution of expenses has been shown in the notes to financial statements using the classifications as recommended by the National Association of College and University Business Officers.
- Nonoperating revenues and expenses netted to \$63 million in revenue, including \$66.9 million in State appropriations (nonexchange support) for University operations. State allocations and moneys for operations increased by approximately \$1.3 million when compared to the 2002-03 fiscal year.
- Capital contributions were \$6.5 million, including \$6.1 million in Public Education Capital Outlay (PECO) encumbrance authorizations received during the fiscal year. In deferred revenues, the University has an additional \$9.8 million related to PECO allocated for projects pending encumbrance authorization.

Because operating expenses are one of the most significant items above, additional information for the University and its aggregate component units is presented below:

<b>Operating Expenses (In Thousands)</b>				
	University		Component Units	
	2003-04	2002-03	2003-04	2002-03
<b>Operating Expenses</b>				
Salaries and Benefits	\$ 84,650	\$ 78,006	\$	\$
Scholarships/Waivers	12,372	10,454		
Utilities	1,616	1,451		
Services and Supplies	25,614	28,033	23,945	20,279
Depreciation	10,850	9,044	2,552	2,438
<b>Total</b>	<u>\$135,102</u>	<u>\$126,988</u>	<u>\$26,497</u>	<u>\$22,717</u>
<b>Increase in Operating Expenses</b>	<u>\$ 8,114</u>	6.39%	<u>\$ 3,780</u>	16.64%

**THE STATEMENT OF CASH FLOWS**

Another way to assess the financial health of an institution is to look at the statement of cash flows. The primary purpose of the statement of cash flows is to provide an understanding of the University’s cash activity and its relationships to its various financial activities, operations, and overall changes in cash balances.

The statement of cash flows presents detailed information about the cash activity of the University during the year. The statement of cash flows also helps users assess the University’s:

- Ability to generate future cash flows.
- Ability to meet obligations as they come due.
- Needs for external financing.

A condensed statement of cash flows for the University for the fiscal year ended June 30, 2004, is shown in the following table:

<b>Cash Flows for the Year (In Thousands)</b>	
	<u>University</u>
Cash Provided (Used) by:	
Operating Activities	\$ (48,648)
Noncapital Financing Activities	65,184
Capital Related Financing Activities	(5,691)
Investing Activities	<u>(9,020)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	1,825
Cash and Cash Equivalents, Beginning of Year	<u>26,949</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 28,774</u>

Cash and cash equivalents are fully explained in the notes to financial statements and for a more detailed understanding of the University's cash activity see the statement of cash flows. This statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities and shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities, such as cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows investments purchased and sold and interest received from investing activities, which is followed by a summary of the overall change in cash and cash equivalents for the year. The fifth section reconciles the net operating revenues (expenses) to net cash used by operating activities.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2004, the University had \$142.4 million of capital assets net of depreciation. Its component units had \$41.7 million of capital assets net of depreciation. A summary of capital assets and accumulated depreciation at June 30 is shown in the following table:

<b>Net Capital Assets at June 30</b>				
<b>(In Thousands)</b>				
	University		Component Units	
	2004	2003	2004	2003
<b>Capital Assets</b>				
Land	\$ 7,452	\$ 7,452	\$ 1,508	\$
Buildings	143,979	111,948	53,845	53,845
Other Structures and Improvements	19,969	14,444	3,516	1,667
Furniture, Machinery, and Equipment	30,338	30,126	1,933	1,670
Property Under Capital Lease	1,432			
Library Resources	26,177	24,943		
Computer Software	3,502	2,721		
Construction in Progress	2,578	32,867	192	
<b>Total</b>	<b>235,427</b>	<b>224,501</b>	<b>60,994</b>	<b>57,182</b>
Less, Accumulated Depreciation:				
Buildings	47,749	43,435	17,425	15,256
Other Structures and Improvements	3,558	2,571	481	314
Furniture, Machinery, and Equipment	20,542	21,084	1,396	1,285
Library Resources	19,939	18,629		
Property Under Capital Lease	280			
Computer Software	951	605		
<b>Total Accumulated Depreciation</b>	<b>93,019</b>	<b>86,324</b>	<b>19,302</b>	<b>16,855</b>
<b>Net Capital Assets</b>	<b>\$142,408</b>	<b>\$138,177</b>	<b>\$41,692</b>	<b>\$40,327</b>
<b>Increase in Net Capital Assets</b>	<b>\$ 4,231</b>	<b>3.06%</b>	<b>\$ 1,365</b>	<b>3.38%</b>

Details of University's capital asset activity for year ended June 30, 2004, such as additions and deletions by category, are shown in the notes to financial statements.

As of June 30, 2004, the University had several construction projects in progress. The Library Addition is the primary major project.

### **DEBT**

At June 30, 2004, the University had approximately \$11.8 million in debt outstanding versus \$11.1 million for the 2002-03 fiscal year, an increase of 6.3 percent. Most of the debt is Academic and Student Services Facilities Bonds and proceeds were used for capital outlay projects. During the 2003-04 fiscal year, the University acquired a telephone system under capital lease which represents the balance of the reported debt. Additional information about debt and other obligations of the University and its component units are included in the notes to financial statements.

### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University currently is not aware of any facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

The University's overall financial position is strong. Even with a relatively flat funded year, the University was able to generate a modest increase in net assets. The University anticipates the current fiscal year will be much like the prior fiscal year and will maintain a close watch over resources to maintain the University's ability to react to unknown internal and external issues.

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**FINANCIAL SECTION**


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**UNIVERSITY OF NORTH FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS**  
**As of June 30, 2004**

	<u>University</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 26,715,876.77	\$ 1,282,944.00	\$ 27,998,820.77
Restricted Cash and Cash Equivalents	1,084,032.71	806,114.00	1,890,146.71
Investments with the State Treasury	55,081,715.05		55,081,715.05
Accounts Receivable, Net	2,219,237.07	271,232.00	2,490,469.07
Contracts and Grants Receivable	1,448,441.51	1,040,143.00	2,488,584.51
Due from State	18,709,397.00		18,709,397.00
Due from University/Component Units		17,177,869.00	17,177,869.00
Loans and Notes Receivable, Net	119,858.05		119,858.05
Pledges Receivable, Net		858,335.00	858,335.00
Inventories	123,982.57	135,698.00	259,680.57
Other Assets		90,717.00	90,717.00
<b>Total Current Assets</b>	<u>105,502,540.73</u>	<u>21,663,052.00</u>	<u>127,165,592.73</u>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	973,798.90		973,798.90
Restricted Investments with the State Treasury	6,200,761.37		6,200,761.37
Other Restricted Investments		66,118,946.00	66,118,946.00
Buildings, Equipment, and Other			
Depreciable Capital Assets, Net	132,378,275.12	40,184,270.00	172,562,545.12
Land and Other Nondepreciable Capital Assets	10,029,250.28	1,507,771.00	11,537,021.28
Pledges Receivable, Net		2,270,809.00	2,270,809.00
Other Assets	35,879.32	720,888.00	756,767.32
<b>Total Noncurrent Assets</b>	<u>149,617,964.99</u>	<u>110,802,684.00</u>	<u>260,420,648.99</u>
<b>TOTAL ASSETS</b>	<u>255,120,505.72</u>	<u>132,465,736.00</u>	<u>387,586,241.72</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	3,346,727.91	326,253.00	3,672,980.91
Salary and Payroll Taxes Payable	2,601,931.88		2,601,931.88
Construction and Retainage Payable	1,011,903.41		1,011,903.41
Due to Component Units	17,077,869.00	100,000.00	17,177,869.00
Deferred Revenue	9,770,000.00	742,693.00	10,512,693.00
Long-Term Liabilities - Current Portion:			
Bonds Payable	505,038.27	1,100,000.00	1,605,038.27
Capital Lease Payable	292,825.93		292,825.93
Compensated Absences Payable	342,476.39		342,476.39
Obligations Under Securities Lending and			
Reverse Repurchase Agreements	14,867,113.58		14,867,113.58
Deposits Held in Custody	2,274,931.14		2,274,931.14
Other Current Liabilities	253,937.69		253,937.69
<b>Total Current Liabilities</b>	<u>52,344,755.20</u>	<u>2,268,946.00</u>	<u>54,613,701.20</u>
Noncurrent Liabilities:			
Bonds Payable	10,104,121.94	46,200,000.00	56,304,121.94
Capital Lease Payable	858,495.68		858,495.68
Compensated Absences Payable	8,219,433.34	261,069.00	8,480,502.34
Other Long-Term Liabilities		410,184.00	410,184.00
<b>Total Noncurrent Liabilities</b>	<u>19,182,050.96</u>	<u>46,871,253.00</u>	<u>66,053,303.96</u>
<b>TOTAL LIABILITIES</b>	<u>71,526,806.16</u>	<u>49,140,199.00</u>	<u>120,667,005.16</u>

**UNIVERSITY OF NORTH FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS (Continued)  
As of June 30, 2004**

	<u>University</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	\$131,130,934.84	\$ (7,115,730.00)	\$124,015,204.84
Restricted:			
Nonexpendable:			
Endowment		52,802,614.00	52,802,614.00
Other		1,593,603.00	1,593,603.00
Expendable:			
Other Restricted Net Assets	3,788,123.83	9,737,094.00	13,525,217.83
Loans	253,760.82		253,760.82
Capital Projects	14,272,300.10	16,817,388.00	31,089,688.10
Unrestricted	34,148,579.97	9,490,568.00	43,639,147.97
<b>TOTAL NET ASSETS</b>	<u>\$183,593,699.56</u>	<u>\$ 83,325,537.00</u>	<u>\$266,919,236.56</u>

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

**UNIVERSITY OF NORTH FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2004**

	<u>University</u>	<u>Component Units</u>	<u>Total Reporting Entity</u>
<b>REVENUES</b>			
Operating Revenues:			
Student Tuition and Fees, Net of Scholarship Allowances of \$7,438,403.19	\$ 34,161,757.58	\$	\$ 34,161,757.58
Federal Grants and Contracts	16,120,373.74		16,120,373.74
State and Local Grants and Contracts	10,128,164.14		10,128,164.14
Nongovernmental Grants and Contracts	4,171,480.58		4,171,480.58
Sales and Services of Auxiliary Enterprises	4,367,014.91		4,367,014.91
Other Operating Revenues	7,952,758.10	23,408,047.00	31,360,805.10
<b>Total Operating Revenues</b>	<b>76,901,549.05</b>	<b>23,408,047.00</b>	<b>100,309,596.05</b>
<b>EXPENSES</b>			
Operating Expenses:			
Personnel Services	84,650,431.81		84,650,431.81
Scholarships and Waivers	12,371,854.51		12,371,854.51
Utilities	1,615,900.97		1,615,900.97
Services and Supplies	25,613,367.46	23,944,779.00	49,558,146.46
Depreciation	10,850,398.71	2,552,079.00	13,402,477.71
<b>Total Operating Expenses</b>	<b>135,101,953.46</b>	<b>26,496,858.00</b>	<b>161,598,811.46</b>
<b>Operating Loss</b>	<b>(58,200,404.41)</b>	<b>(3,088,811.00)</b>	<b>(61,289,215.41)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State Appropriations	66,896,354.19		66,896,354.19
Investment Income (Loss)	(1,087,879.01)	8,475,164.00	7,387,284.99
Noncapitalized Interest	(559,217.94)		(559,217.94)
Other Nonoperating Revenues	1,374,285.55		1,374,285.55
Other Nonoperating Expenses	(3,596,617.59)		(3,596,617.59)
<b>Net Nonoperating Revenues</b>	<b>63,026,925.20</b>	<b>8,475,164.00</b>	<b>71,502,089.20</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>4,826,520.79</b>	<b>5,386,353.00</b>	<b>10,212,873.79</b>
Capital Appropriations	6,064,606.56		6,064,606.56
Capital Grants, Gifts, and Fees	480,366.47	2,305,346.00	2,785,712.47
Disposal of Capital Asset	(2,299,820.64)		(2,299,820.64)
Additions to Permanent Endowments		1,873,595.00	1,873,595.00
<b>Total Other Revenues</b>	<b>4,245,152.39</b>	<b>4,178,941.00</b>	<b>8,424,093.39</b>
<b>Increase in Net Assets</b>	<b>9,071,673.18</b>	<b>9,565,294.00</b>	<b>18,636,967.18</b>
Net Assets, Beginning of Year	174,522,026.38	73,760,243.00	248,282,269.38
<b>Net Assets, End of Year</b>	<b>\$ 183,593,699.56</b>	<b>\$ 83,325,537.00</b>	<b>\$ 266,919,236.56</b>

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

**UNIVERSITY OF NORTH FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2004**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 34,137,783.81
Grants and Contracts	30,967,414.87
Payments to Suppliers for Goods and Services	(26,988,345.16)
Payments to Employees	(84,303,596.12)
Payments for Scholarships	(12,371,854.51)
Net Loans to Students	163,913.94
Sales and Services of Auxiliary Enterprises	4,289,423.91
Other Receipts	5,457,077.45
	<b>(48,648,181.81)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	66,896,354.19
Change in Funds Held for Others	1,157,789.80
Operating Subsidies and Transfers	(224,692.32)
Other Receipts	1,374,285.55
Other Disbursements	(4,019,770.99)
	<b>65,183,966.23</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	1,431,627.76
Capital Appropriations	14,506,606.56
Capital Subsidies and Transfers	(2,110,956.91)
Purchases of Capital Assets	(18,198,306.35)
Principal Paid on Capital Debt	(760,672.62)
Interest Paid on Asset-Related Debt	(559,217.94)
	<b>(5,690,919.50)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of Investments	(23,044,084.68)
Sales of Investments	15,024,619.14
Interest on Investments	(1,000,577.73)
	<b>(9,020,043.27)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,824,821.65</b>
Cash and Cash Equivalents, Beginning of Year	26,948,886.73
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 28,773,708.38</b>

**UNIVERSITY OF NORTH FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (Continued)  
For the Fiscal Year Ended June 30, 2004**

	<b>University</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (58,200,404.41)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,850,398.71
Changes in Assets and Liabilities:	
Receivables, Net	(728,528.48)
Contracts and Grants	547,396.41
Inventories	(6,312.78)
Accounts Payable	1,260,719.49
Salaries and Wages Payable	604,151.97
Deposits Payable	(2,952,200.38)
Compensated Absences	(257,316.28)
Deferred Revenue	70,000.00
Loans to Students	163,913.94
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (48,648,181.81)</b>

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

UNIVERSITY OF NORTH FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity.** The University is a separate public instrumentality that is part of a State university system of public universities. A constitutional amendment effective January 7, 2003, created a board of governors to be responsible for the management of the State university system. A separate board of trustees shall administer each public university.

The University of North Florida Board of Trustees (Trustees) consists 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 Faculty Association President and the President of the student body of the University also are members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provides governance in accordance with Florida law, State Board of Education rules, and the Board of Governors. The Trustees select the University President and the State Board of Education must ratify the candidate selected. 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.

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. Application of these criteria determines potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida and its financial activity is reported in the State's Comprehensive Annual Financial Report by discrete presentation.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following organizations are included within the University reporting entity as discretely presented component units. Additional condensed financial statements for the University's component units are shown in a subsequent note.

*Direct-Support Organizations.* The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Department of Education Rule 6C-9.011, Florida Administrative Code, are considered

**UNIVERSITY OF NORTH FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2004**

component units of the University and therefore the latest audited financial statements of these organizations are included in the financial statements of the University by aggregated discrete presentation. These are separate, not-for-profit corporations 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 not-for-profit corporations and their purposes are explained as follows:

- The University of North Florida Foundation, Inc. (Foundation), solicits, invests, administers, and distributes private gifts for the funding of activities and facilities directly related to the mission, role, and scope of the University. This organization provides funding and services to support and foster the pursuit of higher education at the University. Although the Foundation is chartered as a private not-for-profit corporation, it operates solely for the benefit of the University and its mission of teaching, research, and service. The Foundation serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. The Foundation does not serve any private causes, but generally benefits the public.
- The University of North Florida Training and Service Institute, Inc. (TSI), conducts, accounts for, and reports on special educational and training programs and related specialized activities. TSI was organized for the purpose of providing training and service to assist the University in achieving excellence by providing supplemental resources from external sources and to provide valuable educational support services.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, is available by contacting the University Controller's Office.

**Basis of Presentation.** The University's accounting policies conform to generally accepted accounting principles applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (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).

In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. This Statement includes public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 35 allows public colleges and universities the option of reporting as a special-purpose government engaged in only business-type activities,

**UNIVERSITY OF NORTH FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2004**

engaged in only governmental activities, or engaged in both governmental and business-type activities. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements

The University is a component unit of the State of Florida for financial reporting purposes. The financial balances and activities included in these financial statements are, therefore, also included in the State's Comprehensive Annual Financial Report.

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

Interdepartmental transactions of auxiliary service departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities plus administration, operation and maintenance of plant assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, investment income and funding for capital construction projects. Interest on asset-related debts is a nonoperating expense.

**UNIVERSITY OF NORTH FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2004**

The University follows FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and uses, and tuition and fees revenues and scholarship expenses are reported net of scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or third party making payment on behalf of the student. The University is able to identify, within in its accounting system, amounts paid for tuition and fees by financial aid. To the extent that these resources are used to pay student charges, the University records a scholarship allowance against tuition and fees revenues paid, and reduces scholarship expenses.

The statement of cash flows is presented using the direct method and is in compliance with GASB Statement No. 9, *Reporting Cash Flow for Proprietary and Nonexpendable Trust Funds*. Cash and cash equivalents in the statement of cash flows includes cash and unexpended general revenue releases.

**Capital Assets.** University capital assets consist of land, buildings, infrastructure and other improvements, furniture and equipment, property under capital lease, library resources, construction in progress, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at appraised value at the date received in the case of gifts or 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 \$1,000 for all tangible personal property and \$100,000 for building renovations and improvements. Depreciation is computed on the straight-line basis over the estimated useful life of the related assets.

The following ranges of estimated useful lives were used to determine depreciation expense:

- Buildings and Improvements – Up to 40 Years, Depending on Construction
- Infrastructure and Other Improvements – 10 to 20 Years
- Furniture and Equipment:

**UNIVERSITY OF NORTH FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2004**

- Furniture – 5 to 20 Years
- Equipment (Nonoffice) – 5 to 15 Years
- Computer Equipment – 2 to 10 Years
- Moveable Equipment – 3 to 20 Years
- Library Resources – 10 Years
- Assets Under Capital Leases – 5 Years
- Other Capital Assets – 5 to 15 Years

## **2. CASH AND CASH EQUIVALENTS**

The amount reported as cash and cash equivalents consists of cash-on-hand, cash-in-demand accounts, unexpended general revenue releases, and cash held in the State Treasury. Cash-in-demand accounts are held in banks qualified as a public depository in accordance with the provisions of Chapter 280, Florida Statutes. All such accounts 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, and to purchase or construct capital or other restricted assets are classified as restricted.

## **3. INVESTMENTS**

The University invests with the State Treasury in accordance with the provisions of Section 17.61, Florida Statutes. The investments conform with the guidelines established by Section 215.47, Florida Statutes, and are reported at market value of \$61,282,476.42.

Generally accepted accounting principles require the classification of credit risk of investments into the following three categories:

- Risk Category 1 – Insured or registered, or securities held by the entity or its agent in the entity's name.
- Risk Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Risk Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the entity's name.

University investments managed by the State Treasury cannot be categorized because the University's investments are not evidenced by specific, identifiable investment securities.

**UNIVERSITY OF NORTH FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2004**

Under the State Treasury’s authority to purchase and sell securities, it has entered into securities lending and reverse repurchase agreements. A securities lending agreement is a loan of securities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. A reverse repurchase agreement is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. As required by generally accepted accounting principles, the University has reported investments and an offsetting current liability of \$14,867,113.58 in order to account for these transactions. Required note disclosures for these agreements are reported in the State’s Comprehensive Annual Financial Report.

Investments held by the University’s component units at June 30 are reported at market value based on quoted market prices, and are shown in the following table:

	Investments			Market Value
	Risk Category			
	1	2	3	
Bonds and Notes	\$	\$	\$ 6,420,755	\$ 6,420,755
U.S. Government Obligations			5,287,788	5,287,788
Federal Agency Obligations			3,109,751	3,109,751
<b>Total Classified Investments</b>	<b>\$</b>	<b>\$</b>	<b>\$ 14,818,294</b>	
Money Market and Mutual Funds				51,300,652
<b>Total Component Units Investments</b>				<b>\$ 66,118,946</b>

**4. RECEIVABLES**

**Accounts Receivable, Net.** Accounts receivable reported in the statement of net assets represent amounts for student fee deferrals and various student services provided by the University, various auxiliary services provided to students and third parties, and interest accrued on investments. Accounts receivable for the University are reported net of an allowance of \$80,071.35 for uncollectible accounts.

**Loans and Notes Receivable, Net.** Loans and notes receivable represent student loans made under the University’s short-term loan program. Loans and notes receivable are reported net of an allowance of \$3,707 for uncollectible loans and notes.

**Contracts and Grants Receivable.** Contracts and grants receivable represent grant reimbursements due from third parties. These receivables are deemed fully collectible and therefore no allowance for uncollectible accounts has been recognized.

**UNIVERSITY OF NORTH FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2004**

**Pledges Receivable, Net.** The Foundation accounts for its pledges in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Pledges receivable are reported for restricted accounts at estimated net realizable value, and reported in current and long-term portions, net of appropriate allowances and present value discounts of \$1,366,425.

**Allowances for Uncollectible Accounts Receivables and Loans and Notes Receivable.** Allowances for uncollectible accounts are reported based upon management's best estimate, as of fiscal year-end, considering type, age, collection history, and any other factors considered appropriate. In general, management considers accounts receivable and non-Federal short-term loans and notes receivable over 180 days old doubtful of collection. The estimated uncollectible loans and notes receivable relate to the University's short-term loan programs.

**5. DUE FROM STATE**

This amount is comprised of State Public Education Capital Outlay (PECO) allocations for construction of University facilities due to the University at June 30, 2004.

**6. DUE FROM UNIVERSITY/TO COMPONENT UNITS**

These amounts are related to housing and parking facilities provided and financed by the Foundation in support of the University.

Moneys are accumulated under the University's operating leases for housing and parking facilities owned by the Foundation and held by the University at June 30, 2004. The University receives and invests excess receipts in the State Treasury via the Auxiliary Fund. The University pays, on behalf of the Foundation, operating and other agreed upon expenses, such as scheduled debt, from the Auxiliary Fund and any unexpended moneys are obligated to support future operations and costs under the operating leases for housing and parking.

**7. INVENTORIES**

Inventories consist of expendable supplies and goods purchased for resale, and were valued using the last invoice cost method which approximates the first-in, first-out method of inventory valuation.

**8. CAPITAL ASSETS**

The activity of the University's major classes of capital assets for the 2003-04 fiscal year is presented in the following table:

**UNIVERSITY OF NORTH FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2004**

Description	Beginning Balance	Additions	Deletions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 7,451,525.50	\$	\$	\$ 7,451,525.50
Construction in Progress	32,867,064.77	11,782,331.53	42,071,671.52	2,577,724.78
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 40,318,590.27</b>	<b>\$ 11,782,331.53</b>	<b>\$ 42,071,671.52</b>	<b>\$ 10,029,250.28</b>
<b>Depreciable Capital Assets</b>				
Buildings	\$ 111,948,168.00	\$ 32,033,841.47	\$ 2,850.00	\$ 143,979,159.47
Infrastructure and Other Improvements	14,443,906.58	5,525,126.53		19,969,033.11
Furniture and Equipment	30,126,006.07	4,364,607.71	4,152,630.31	30,337,983.47
Property Under Capital Lease		1,431,627.76		1,431,627.76
Library Resources	24,942,704.33	1,234,702.50		26,177,406.83
Other Capital Assets	2,721,661.07	779,951.60		3,501,612.67
<b>Total Depreciable Capital Assets</b>	<b>184,182,446.05</b>	<b>45,369,857.57</b>	<b>4,155,480.31</b>	<b>225,396,823.31</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	43,435,294.16	4,313,687.67		47,748,981.83
Infrastructure and Other Improvements	2,570,701.48	987,054.79		3,557,756.27
Furniture and Equipment	21,083,880.25	3,484,607.45	4,026,982.97	20,541,504.73
Property Under Capital Lease		280,306.15		280,306.15
Library Resources	18,628,467.99	1,310,451.55		19,938,919.54
Other Capital Assets	605,285.91	345,793.76		951,079.67
<b>Total Accumulated Depreciation</b>	<b>86,323,629.79</b>	<b>10,721,901.37</b>	<b>4,026,982.97</b>	<b>93,018,548.19</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>97,858,816.26</b>	<b>34,647,956.20</b>	<b>128,497.34</b>	<b>132,378,275.12</b>
<b>Total Capital Assets, Net</b>	<b>\$ 138,177,406.53</b>	<b>\$ 46,430,287.73</b>	<b>\$ 42,200,168.86</b>	<b>\$ 142,407,525.40</b>

Depreciation expense reported on the statement of revenues, expenses, and changes in net assets includes net losses on disposition of capital assets and other minor adjustments totaling \$128,497.34. Also, during the 2003-04 fiscal year, the University substantially completed its construction role in the Clay County District Schools - Teacher Training Center and \$2,299,820.64 was removed from construction in progress as the facility now belongs to the School District.

Capital assets of the component units as of June 30, 2004, totaled \$41,692,041, net of accumulated depreciation of \$19,302,062. About \$40,148,320 of capital assets related to land improvements, buildings, furnishings, and equipment related to student housing and parking systems.

## 9. LONG-TERM LIABILITIES

Long-term liabilities of the University include bonds and revenue certificates, capital leases, and compensated absences.

The following table presents the University's long-term liabilities activity for the fiscal year ended June 30, 2004:

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 11,102,193.01	\$	\$ 493,032.80	\$ 10,609,160.21	\$ 505,038.27
Capital Lease Payable		1,431,627.76	280,306.15	1,151,321.61	292,825.93
Compensated Absences Liability	8,819,226.01	173,783.72	431,100.00	8,561,909.73	342,476.39
<b>Total Long-Term Liabilities</b>	<b>\$ 19,921,419.02</b>	<b>\$ 1,605,411.48</b>	<b>\$ 1,204,438.95</b>	<b>\$ 20,322,391.55</b>	<b>\$ 1,140,340.59</b>

**Bonds Payable.** The State Board of Education issued both term and serial revenue bonds on behalf of the State's public universities, the proceeds of which were used to acquire and construct various academic and student service facilities. The bonds are secured and payable from capital improvement and building fees. The State Board of Administration administers the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

Bonds payable at June 30, 2004, are shown in the following table:

Bonds	Amount of Original Issue	Total Retired	Amount Outstanding		Interest Rate (Percent)	Annual Maturity To
			Principal	Interest		
Academic and Student Services Facilities Bonds:						
Series 1997	\$ 3,836,631.04	\$ 761,321.33	\$ 3,075,309.71	\$ 1,834,171.54	5.00 - 7.00	2022
Series 1997A	2,264,354.71	172,035.68	2,092,319.03	799,518.63	4.50 - 7.00	2016
Series 1998	4,178,965.95	678,611.50	3,500,354.45	1,866,378.61	4.00 - 5.00	2023
Series 2003A	2,202,500.94	261,323.92	1,941,177.02	442,643.74	3.00 - 5.00	2013
<b>Total Bonds</b>	<b>\$ 12,482,452.64</b>	<b>\$ 1,873,292.43</b>	<b>\$ 10,609,160.21</b>	<b>\$ 4,942,712.52</b>		

Principal and interest requirements on the bonded debt outstanding as of June 30, 2004, are presented in the following table:

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<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 505,038.27	\$ 521,441.96	\$ 1,026,480.23
2006	530,842.02	497,617.32	1,028,459.34
2007	558,144.16	472,822.92	1,030,967.08
2008	598,531.55	446,727.42	1,045,258.97
2009	619,516.42	418,693.63	1,038,210.05
2010-2014	3,406,583.59	1,597,339.79	5,003,923.38
2015-2019	2,563,640.67	791,227.60	3,354,868.27
2020-2024	1,764,421.41	196,841.88	1,961,263.29
<b>Subtotal</b>	10,546,718.09	4,942,712.52	15,489,430.61
Bond Premiums	173,218.31		173,218.31
Bond Discounts	(110,776.19)		(110,776.19)
<b>Total</b>	<b>\$ 10,609,160.21</b>	<b>\$ 4,942,712.52</b>	<b>\$ 15,551,872.73</b>

**Capital Lease Payable.** The University acquired a telephone system for \$1,431,628 under a capital lease. Principal and interest requirements on the capital lease outstanding as of June 30, 2004, are presented in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 292,825.93	\$ 35,553.52	\$ 328,379.45
2006	302,943.01	25,436.43	328,379.44
2007	313,409.64	14,969.80	328,379.44
2008	242,143.03	4,141.56	246,284.59
<b>Total</b>	<b>\$ 1,151,321.61</b>	<b>\$ 80,101.31</b>	<b>\$ 1,231,422.92</b>

The stated interest rate is 3.41 percent.

**Compensated Absences.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Department of Education Rule 6C-5.920, Florida Administrative Code, and pursuant to bargaining agreements. Leave earned is accrued to the credit of the employee, and records are kept on each employee's unpaid (unused) leave balance. GASB Statement No. 16 requires that the University accrue a liability in the statement of net assets for employees' vested right to receive compensation for future absences when certain conditions are met, whereas 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. Consequently, the recording of the liability for compensated absences, without the corresponding recognition of such future

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resources, results in the appearance of a reduced ability to meet current obligations. At June 30, 2004, the total estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$8,561,909.73. The current portion of the compensated absences liability of \$342,476.39, at June 30, 2004, was estimated based on actual usage and leave payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

**10. UNIVERSITY HOUSING AND PARKING FACILITIES  
PROVIDED BY FOUNDATION**

Under operating leases, the University acts as an agent to manage day-to-day operations of the Foundation's student housing and parking structures. These facilities were constructed with money borrowed by the Foundation, which pledged anticipated net revenues from operations to retire the debt; therefore, all revenues and expenses related to these operations are reported by the Foundation. The Foundation borrowed the moneys for construction through the issuance of bonds, which are accounted for and reported along with the related assets in the Foundation's records. While these bonds are issued by and in the name of the University of North Florida Foundation, Inc., they are secured by a revenue stream derived from operating leases executed with the University of North Florida. Under the terms of the leases, the University pledges all the related revenue from the parking system and the housing system to guarantee all debt service payments and further covenants to set rates within each system that will achieve the coverage ratios spelled out in the bond documents. The bonds are also credit enhanced by means of bank letters of credit to provide additional security to the bondholders and enhance the rates at which the bonds trade. These letters of credit are "non-recourse." This means that in the event of a catastrophe which prevents the University from being able to meet its obligations under the terms of the operating leases, the bank would step in to meet the terms of the bonds under the provisions of the letter of credit. By virtue of their non-recourse provisions, the bank would not be able to look to the Foundation's other assets to recover its loss.

The following summary, providing an overview of these bond issues, is presented in the Foundation's audit report for the fiscal year ended June 30, 2004 (additional information can be obtained from the Foundation):

➤ **Capital Improvement Revenue Bonds**

On April 7, 2000, the Foundation issued \$13,000,000 of Capital Improvement Revenue Bonds (Series 2000 Bonds). The proceeds were used to finance the cost of an addition to the housing system located at the University. Principal is payable in annual installments beginning November 1, 2002, through 2030. The balance outstanding at June 30, 2004, is \$12,800,000.

On March 11, 1997, the Foundation issued \$9,500,000 of Capital Improvement Revenue Bonds (Series 1997 Bonds). The proceeds were also used to finance the cost of an addition to the housing

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system located at the University. Principal is payable in annual installments beginning November 1, 1999, through 2027. The balance outstanding at June 30, 2004, is \$8,800,000.

On November 16, 1994, the Foundation issued \$17,000,000 of Capital Improvement Revenue Bonds (Series 1994 Bonds). The proceeds were used to pay-off the outstanding balance of a previously existing \$9,200,000 Multi-Modal Interchangeable Rate Industrial Development Revenue Bonds issue, the outstanding balance on a \$2,000,000 revenue note previously issued by a financial institution, and to construct and furnish additional student residence facilities at the University. Principal is payable in annual installments beginning November 1, 1996, through 2024. The balance outstanding at June 30, 2004, is \$15,200,000.

Interest payments on the Capital Improvement Revenue Bonds are made monthly. The interest rate is a variable rate not to exceed 12 percent. At June 30, 2004, the variable rate for the Series 2000, the Series 1997, and Series 1994 Bonds is 1.11 percent. The Series 2000, Series 1997, and Series 1994 Bonds are parity issues which are collateralized by all net revenue collections derived from the student residence facilities.

Principal repayments on Capital Improvement Revenue Bonds during the next five years and thereafter are as follows:

**UNF Foundation Housing System Revenue Bonds - Variable Rate**

<u>Fiscal Year Ending June 30</u>	<u>Series 1994</u>	<u>Series 1997</u>	<u>Series 2000</u>	<u>Total Principal</u>
2005	\$ 300,000	\$ 200,000	\$ 300,000	\$ 800,000
2006	300,000	200,000	400,000	900,000
2007	300,000	200,000	400,000	900,000
2008	400,000	200,000	400,000	1,000,000
2009	400,000	200,000	400,000	1,000,000
2010-2014	2,600,000	1,300,000	2,000,000	5,900,000
2015-2019	3,900,000	1,700,000	1,500,000	7,100,000
2020-2024	5,600,000	900,000	1,500,000	8,000,000
2025-2029	1,400,000	3,900,000	2,700,000	8,000,000
2030			3,200,000	3,200,000
<b>Total Housing Related Principal</b>	<b>\$ 15,200,000</b>	<b>\$ 8,800,000</b>	<b>\$ 12,800,000</b>	<b>\$ 36,800,000</b>

The covenants of the Capital Improvement Revenue Bonds require rental revenues sufficient to pay 100 percent of the costs of operation and maintenance of the facility plus 120 percent of debt service during such year. Rental revenues during 2004, net of operating costs, represented debt service coverage of 145 percent.

➤ **Parking System Improvement Revenue Bonds**

On April 30, 1998, the Foundation issued \$11,700,000 of Parking System Improvement Revenue Bonds (the Parking Bonds) in order to retire the outstanding balance of a prior issue and to begin construction of a new parking facility at the University. The Parking Bonds are collateralized by the revenue stream from the parking system at the University. The interest rate is a varying rate not to exceed 12 percent and is 1.11 percent at June 30, 2004. Interest payments are made monthly. Principal is payable in 28 annual installments from May 1, 2001, through May 1, 2028.

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Principal repayments on the Parking Bonds during the next five years and thereafter are as follows:

**UNF Foundation Parking System Improvement  
Revenue Bonds - Variable Rate**

Fiscal Year Ending June 30	Principal
2005	\$ 300,000
2006	300,000
2007	300,000
2008	300,000
2009	300,000
2010-2014	2,000,000
2015-2019	2,500,000
2020-2024	2,500,000
2025-2028	2,000,000
<b>Total Parking Related Principal</b>	<b>\$ 10,500,000</b>

The covenants of the Parking Bonds require parking revenues sufficient to pay 100 percent of the costs of operation and maintenance of the facility plus 125 percent of debt service during such year. Rental revenues during 2004, net of operating costs, represented debt service coverage of 331 percent.

**11. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

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Functional Classification	Amount
Instruction	\$ 43,706,325.84
Research	5,513,139.70
Public Service	9,071,713.73
Academic Support	11,014,226.97
Student Services	12,284,569.75
Institutional Support	13,641,751.45
Operations and Maintenance of Plant	8,489,025.44
Scholarships and Fellowships	11,313,115.00
Auxiliary Operations	8,726,244.26
Loan Operating Expenses	491,442.61
<b>Total Functional Expenses</b>	124,251,554.75
Depreciation Expense	10,850,398.71
<b>Total Operating Expenses</b>	<b>\$135,101,953.46</b>

**12. CONSTRUCTION COMMITMENTS**

A summary of major construction commitments at June 30, 2004, is presented in the following table:

	Total Estimated Commitment	Total Construction Expenses	Commitment Balance
University of North Florida	\$ 19,612,256.86	\$ 2,577,724.78	\$ 17,034,532.08

**13. RETIREMENT PLANS**

**Florida Retirement System.** Most employees working in regularly established positions of the University are covered by the Florida Retirement System, a State-administered cost-sharing, multiple-employer, public employee defined benefit retirement plan (Plan). Plan provisions 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 plan eligibility, contributions, and benefits are defined and described in detail. Participating employers include all State departments, counties, district school boards, universities and community colleges. Many municipalities and special districts have elected to be participating employers. Essentially, all regular employees of participating employers are eligible to enroll as members of the Plan.

The Florida Legislature has reduced the vesting period from 10 to 6 years of service. Any member employed in a regularly established position on July 1, 2001, with a total of 6 or more years of creditable service will be considered vested. Former members who are not employed with a participating Plan employer on July 1,

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2001, must return to covered employment for one year to become eligible for the six-year vesting provision. An exception to this one-year requirement applies to former members who are within one year of vesting under the pre-2001 vesting requirements. These members will only be required to work the lesser of one year or the amount of time it would have taken to vest in their class of membership prior to July 1, 2001. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly retirement benefit payments while continuing employment with a Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after the participation election date. During DROP participation, the deferred monthly benefit accruing on behalf of the participant, plus interest compounded monthly, is held in the Florida Retirement System Trust Fund. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

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

The State of Florida establishes contribution rates for Plan members. The following table presents the contribution rates for the employer during the 2003-04 fiscal year:

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Senior Management Service	0.00	9.37
Florida Retirement System, Special Risk	0.00	18.53
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement and .10 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The University’s liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University’s total contributions made to the Plan (none from employees) for fiscal years ended June 30, 2002, June 30, 2003, and June 30, 2004, totaled \$2,318,167, \$1,912,840, and \$2,420,530, respectively, which were equal to the required contributions for each fiscal year.

**Public Employee Optional Retirement Program.** Pursuant to Section 121.4501, Florida Statutes, effective June 1, 2002, the Florida Legislature created a Public Employee Optional Retirement Program, also known as the Florida Retirement System (FRS) Investment Program. The Program is a defined contribution plan, sponsored by the State of Florida, available as an option to the FRS, and is self-directed by the employee. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. With each pay period, the University contributes a percentage (same as FRS Rate) of the participating employees' earnings to an annuity plan. Pension benefits are determined by the dollars in the account at the time of retirement. There were 43 University participants during the 2003-04 fiscal year. Required contributions made to the program totaled \$25,261.

**State University System Optional Retirement Program.** Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program (Program) for eligible State University System faculty and administrators. The Program, which became effective July 1, 1984, was expanded in 1988 to include the State University System Executive Service. The Program is designed to aid the university system in recruiting employees by offering more portability to those employees who are not expected to remain in the Florida Retirement System for six or more years.

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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 Florida Retirement System, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant an amount equal to 10.43 percent of the participant's gross monthly compensation. A small amount remains in the Optional Retirement Program Trust Fund for program administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute by salary deduction an amount not to exceed the percentage contributed by the University to the participant's annuity account.

There were 467 University participants during the 2003-04 fiscal year. Required contributions made to the Program totaled \$4,597,834.54, including \$1,341,255.20 from employee contributions.

**14. POST-EMPLOYMENT BENEFITS**

Pursuant to Section 112.363, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2003-04 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in note 13.

Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2003-04 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

**15. RISK MANAGEMENT PROGRAMS**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The University provided coverage for these risks through participation in the State Risk Management Trust Fund, State Group Health Insurance Plan, and commercially purchased insurance.

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**State Self-Insurance Fund.** In accordance with a program for central insurance purchases adopted by the Florida Cabinet in 1969, the Department of Management Services has authority to purchase insurance on behalf of all State agencies. This authority was granted with the enactment of Section 287.022, Florida Statutes. Other actions by the Legislature have resulted in the development of State self-insurance funds providing hazard insurance for property and casualty insurance for State employees workers' compensation, general liability, and fleet automotive liability. The University participates in these programs. Property losses in excess of \$2 million are commercially insured up to \$200 million per loss event. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculations of premiums consider 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 years.

**State Group Health Insurance Plan.** University employees may obtain health care 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 in Tallahassee, Florida.

## **16. CONTINGENT LIABILITIES**

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 attorney and management, should not materially affect future operations or the financial condition of the University.

## **17. COMPONENT UNITS**

Summary financial information from the most recently available audited financial statements of component units of the University, as mentioned in note 1, is presented in the following table:

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**ALL COMPONENT UNITS**

	University of North Florida Foundation, Inc. 6-30-04	University of North Florida Training and Service Institute, Inc. 6-30-04	Total Component Units
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
Assets:			
Due from University	\$ 17,077,869	\$	\$ 17,077,869
Other Current Assets	2,209,228	2,275,955	4,485,183
Note Receivable from Foundation		100,000	100,000
Capital Assets, Net	40,148,320	35,950	40,184,270
Nondepreciable Capital Assets		1,507,771	1,507,771
Other Noncurrent Assets	62,352,186	6,758,457	69,110,643
<b>Total Assets</b>	<b>121,787,603</b>	<b>10,678,133</b>	<b>132,465,736</b>
Liabilities:			
Current Liabilities	1,790,272	378,674	2,168,946
Note Payable to Training Services Institute	100,000		100,000
Noncurrent Liabilities	46,610,184	261,069	46,871,253
<b>Total Liabilities</b>	<b>48,500,456</b>	<b>639,743</b>	<b>49,140,199</b>
Net Assets:			
Restricted - Endowment	52,802,614		52,802,614
Restricted - Other	26,798,085	1,350,000	28,148,085
Unrestricted	838,128	8,652,440	9,490,568
Invested in Capital Assets, Net of Related Debt	(7,151,680)	35,950	(7,115,730)
<b>Total Net Assets</b>	<b>\$ 73,287,147</b>	<b>\$ 10,038,390</b>	<b>\$ 83,325,537</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>			
Operating Revenues	\$ 13,852,604	\$ 9,555,443	\$ 23,408,047
Depreciation Expense	(2,452,273)	(99,806)	(2,552,079)
Operating Expenses	(14,672,899)	(9,271,880)	(23,944,779)
<b>Operating Income (Loss)</b>	<b>(3,272,568)</b>	<b>183,757</b>	<b>(3,088,811)</b>
Nonoperating Revenues:			
Investment Income	7,599,579	875,585	8,475,164
Addition to Permanent Endowments	1,873,595		1,873,595
Capital Grants, Gifts, and Fees	2,305,346		2,305,346
<b>Change in Net Assets</b>	<b>8,505,952</b>	<b>1,059,342</b>	<b>9,565,294</b>
<b>Net Assets, Beginning of Year</b>	<b>64,781,195</b>	<b>8,979,048</b>	<b>73,760,243</b>
<b>Net Assets, End of Year</b>	<b>\$ 73,287,147</b>	<b>\$ 10,038,390</b>	<b>\$ 83,325,537</b>