REPORT NO. 2010-174
MARCH 2010

UNIVERSITY OF NORTH FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2009

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

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

The audit team leader was Donald D. Hemmingway, CPA, and the audit was supervised by John P. Duffy, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

UNIVERSITY OF NORTH FLORIDA
TABLE OF CONTENTS

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the University's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2010-141.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S
REPORT ON 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, 2009, which collectively comprise the University's basic financial statements as shown on pages 11 through 41. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports 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 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 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, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, effective for the 2008-09 fiscal year, there was an adjustment to beginning net assets to include the Museum of Contemporary Art Jacksonville, Inc., as a new direct-support organization. This change affects the comparability of amounts reported within the discretely presented component units' columns for the 2008-09 fiscal year with amounts reported for the 2007-08 fiscal year.

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, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 42, are not a required part of the basic financial statements, but are 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,

David W. Martin, CPA
March 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities,* as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled $552.3 million at June 30, 2009. This balance reflects a $22.6 million, or 4.3 percent, increase from the 2007-08 fiscal year. While assets grew, liabilities increased by a lesser amount, $1.8 million, or 0.9 percent, totaling $195.6 million at June 30, 2009, compared to $193.8 million at June 30, 2008. As a result, the University's net assets increased by $20.7 million, reaching a year-end balance of $356.6 million. The increase was mainly from an increase in investment of capital assets, net of related debt.

The amount due from the State consists primarily of capital appropriations awarded in current and prior years that have not been received from the State. New appropriations added for the 2008-09 fiscal year included $24 million for the Science & Humanities Building and $6 million for Infrastructure Projects.

The University's operating revenues totaled $74.9 million for the 2008-09 fiscal year, representing a 7.7 percent increase over the 2007-08 fiscal year mainly from increases in both enrollment and student tuition and fees. Operating expenses totaled $203.1 million for the 2008-09 fiscal year, representing an increase of 7.1 percent over the 2007-08 fiscal year. The majority of the increase was for utilities and communication; services and supplies; and scholarships, fellowships, and waivers.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements and notes thereto encompass the University and its component units. These component units include: the University of North Florida Foundation, Inc. (Foundation); The University of North Florida Training and Services Institute, Inc. (TSI); the Museum of Contemporary Art Jacksonville, Inc. (MOCA); and The University of North Florida Financing Corporation, Inc. (Financing Corporation), all of which are legally separate, not-for-profit corporations. The Foundation, TSI, and MOCA are reported as discretely presented component units. Information regarding the discretely presented component units, including summaries from their separately issued financial statements, is presented in the notes to the financial statements. The Financing Corporation is included within the University reporting entity as a blended component unit, because it was formed to facilitate the financing and acquisition of University capital assets and provides services exclusively for the University. This MD&A focuses on the University and its blended component unit. The Foundation and TSI use GASB standards of accounting and reporting and include the MD&A in their separately issued audit reports. Because the MOCA uses the Financial Accounting Standard Board (FASB) standards of accounting and reporting, its separate audit report does not include MD&A.

THE STATEMENT OF NET ASSETS

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

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

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

	2009	2008
Assets		
Current Assets	$ 126,161	$ 115,048
Capital Assets, Net	389,460	307,957
Other Noncurrent Assets	36,642	106,682
Total Assets	552,263	529,687
Liabilities		
Current Liabilities	32,590	32,341
Noncurrent Liabilities	163,053	161,473
Total Liabilities	195,643	193,814
Net Assets		
Invested in Capital Assets, Net of Related Debt	241,972	227,382
Restricted	68,644	65,504
Unrestricted	46,004	42,987
Total Net Assets	$ 356,620	$ 335,873

The University's financial position, as a whole, improved during the fiscal year ended June 30, 2009; with an increase in net assets of $20.7 million, or 6.2 percent, over the 2007-08 fiscal year. This is an indicator of the sound overall financial condition and health of the University.

The total assets increased by $22.6 million, primarily from an increase of $81.5 million in net depreciable and nondepreciable capital assets (capital assets, net) and increases in current investments of $5.5 million, amounts due from the State for construction projects of $6.3 million, and restricted cash and cash equivalents of $6.2 million. The increases in assets were offset by a $76 million decrease in noncurrent investments resulting mainly from expending bond proceeds for the Student Union and Housing construction projects during the 2008-09 fiscal year.

The University's total liabilities increased $1.8 million mostly from an installment purchase of capital assets and the increase in the Postemployment Healthcare Benefits liability.

In summary, the University's net assets of $356.6 million at June 30, 2009, included $242 million invested in capital assets, net of related debt, $68.6 million in restricted net assets, and $46 million in unrestricted net assets. The increase was mainly from an increase in capital assets, net of related debt.

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

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

The following summarizes the University's activity for the 2008-09 and 2007-08 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets (In Thousands)

	2008-09	2007-08
Operating Revenues	$ 74,906	$ 69,544
Operating Expenses	203,087	189,576
Operating Loss	(128,181)	(120,032)
Net Nonoperating Revenues	115,850	124,764
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(12,331)	4,732
Other Revenues, Expenses, Gains, or Losses	33,078	46,589
Net Increase In Net Assets	20,747	51,321
Net Assets, Beginning of Year	335,873	286,802
Adjustments to Beginning Net Assets (1)		(2,250)
Net Assets, Beginning of Year, as Restated	335,873	284,552
Net Assets, End of Year	$ 356,620	$ 335,873

Note: (1) The University corrected prior year accounting errors relating to the Parking and Housing Systems' net capital assets.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities during the 2008-09 and 2007-08 fiscal years:

Operating Revenues
(In Thousands)

	2008-09	2007-08
Net Tuition and Fees	$ 41,526	$ 36,352
Grants and Contracts	10,823	12,592
Sales and Services of Auxiliary Enterprises	22,531	20,352
Other	26	248
Total Operating Revenues	$ 74,906	$ 69,544

Net tuition and fees increased $5.2 million, or 14.2 percent, mainly from increases in both enrollment and tuition and fees. Sales and services of auxiliary enterprises increased by $2.2 million, or 10.7 percent, mainly as a result of an increase in student housing fee revenues.

Operating Expenses

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

The following summarizes the operating expenses by natural classifications for the 2008-09 and 2007-08 fiscal years:

Operating Expenses
(In Thousands)

	2008-09	2007-08
Compensation and Employee Benefits	$ 120,967	$ 122,483
Services and Supplies	43,222	35,787
Utilities and Communications	7,520	6,428
Scholarships, Fellowships, and Waivers	15,762	9,943
Depreciation	15,616	14,935
Total Operating Expenses	$ 203,087	$ 189,576

As previously mentioned, total operating expenses increased primarily as a result of increases in expenses for utilities and communications; services and supplies; and scholarships, fellowships, and waivers.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2008-09	2007-08
State Appropriations	$ 84,482	$ 90,871
Federal and State Student Financial Aid	26,080	24,258
Investment Income	3,885	7,104
Other Nonoperating Revenues	4,264	5,231
Loss on Disposal of Capital Assets	(283)	(359)
Interest on Capital Asset-Related Debt	(2,202)	(1,862)
Other Nonoperating Expenses	(376)	(479)
Net Nonoperating Revenues	$ 115,850	$ 124,764

The decrease in net nonoperating revenues is mainly attributable to the decrease in State appropriations of $6.4 million, or 7 percent, as a result of decreased funding from the State. Also, investment income declined by $3.2 million, or 45.3 percent, as a result of changes in financial market conditions and use of bond proceeds previously invested for the Student Union and Housing construction projects.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

Other Revenues, Expenses, Gains, or Losses
(In Thousands)

	2008-09	2007-08
Capital Appropriations	$ 32,313	$ 30,524
Capital Grants, Contracts, Donations, and Fees	765	5,546
Component Unit Assets, Transferred, Net of Related Debt		10,519
Total	$ 33,078	$ 46,589

Capital Appropriations remained relatively constant and the University will be able to continue its capital projects implementation (see listing of projects in the Capital Expenses and Commitments section below). Unlike the previous two fiscal years, having fully accomplished the transition of Parking and Housing Systems, there were no transfers of component unit assets, net of related debt, to the University.

THE STATEMENT OF CASH FLOWS

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

The following summarizes cash flows for the 2008-09 and 2007-08 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	$ (111,017)	$ (105,154)
Noncapital Financing Activities	113,660	109,044
Capital and Related Financing Activities	(70,815)	(46,788)
Investing Activities	74,407	44,509
Net Increase in Cash and Cash Equivalents	6,235	1,611
Cash and Cash Equivalents, Beginning of Year		(1,611)
Cash and Cash Equivalents, End of Year	$ 6,235	$

Major sources of funds came from State appropriations ($84.5 million), sales of investments ($70.2 million), net student tuition and fees ($41.5 million), State capital appropriations ($32.3 million), Federal and State student financial aid ($26.1 million), and sales and services of auxiliary enterprises ($21.9 million). Major uses of funds included payments to employees ($119.6 million), payments for purchase or construction of capital assets ($97 million), payment to suppliers for goods and services ($50.1 million), and payments to students for scholarships ($15.8 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the University had $543.9 million in capital assets, less accumulated depreciation of $154.4 million, for net capital assets of $389.5 million. Depreciation charges for the current fiscal year totaled $15.6 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2009	2008
Land	$ 12,863	$ 12,863
Buildings	165,328	159,746
Construction in Progress	164,996	90,880
Infrastructure and Other Improvements	21,833	22,243
Furniture and Equipment	15,042	12,666
Library Resource	7,200	7,058
Computer Software	2,198	2,501
Capital Assets, Net	$ 389,460	$ 307,957

Most of the increase in capital assets is related to the significant increase in construction in progress. Additional information about the University's capital assets is presented in the notes to financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2009, were incurred on the University Housing, Student Union, UNF Hall Renovations, Multi-Purpose Classrooms, and Education Building projects. Capital commitments include $24 million for the Science and Humanities Building; $6 million for Infrastructure Projects from 2008-09 fiscal year PECO appropriations; and $4.5 million for the Campus Recreation project funded, in part, from SUS Capital Improvement Revenue Bonds, Series 2008A. At June 30, 2009, the University's capital commitments are as follows:

	Amount (In Thousands)
Total Commitment	$ 226,720
Completed to Date	164,995
Balance Committed	$ 61,725

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

DEBT ADMINISTRATION

As of June 30, 2009, the University had $153.9 million in outstanding bonds and installment purchase agreements, representing an increase of $1.25 million, or 0.8 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30
(In Thousands)

	2009	2008
Bonds Payable	$ 153,083	$ 152,634
Installment Purchase Payable	801	
Total	$ 153,884	$ 152,634

Additional information about the University's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Due to the continued decline in the State's general revenue, the budget that the Florida Legislature adopted for the 2009-10 fiscal year included an overall 1 percent increase for the State universities as a whole when general revenue, tuition, and Federal stabilization funds are considered. The adopted budget included no funding provided for enrollment growth or employee salary increases. To help mitigate the impact on the budget for the 2009-10 fiscal year, the Legislature approved an 8 percent tuition increase and gave the State universities authorization to charge a differential tuition fee for undergraduate courses up to the national average of public institutions. This would be a total increase of 15 percent per year. The budget of the State adopted for the 2009-10 fiscal year provides a

15.35 percent decrease in State appropriations in general revenue and lottery funding for the University. This decrease was offset with $5,854,946 of Federal stabilization funds. While political support from State Government is expected to remain strong and allow for moderate growth over the long-term, the State's current economic downturn will continue to impact the University. Given the current situation, the University has positioned itself very well and has taken appropriate steps to safeguard and preserve the University's financial condition to remain strong. The University has taken a serious approach to expenditures and hiring practices and is carefully reviewing these areas to conserve University resources while searching for other ways to lessen the economic impact while maintaining sound academic programs.

Another significant factor in the University's academic and economic position relates to its ability to recruit and retain high quality students. Our efforts to improve retention and the quality of students, such as an aggressive marketing plan, reduced class sizes, lower student to teacher ratios, and enhanced intervention to assist academic success will help assure this positive trend. During this difficult economic situation, the University's Fall 2009 enrollment of 16,641 was up from the 15,430 students enrolled for the Fall 2008 term, an increase of 7.8 percent.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplemental information, or requests for additional financial information should be addressed to the Vice President for Administration and Finance, University of North Florida, 1 UNF Drive, Building 53, Jacksonville, Florida 32224-2648.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2009

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 9,436.00	$ 1,457,045.00
Investments	68,483,396.57	
Accounts Receivable, Net	8,573,705.90	1,273,055.00
Loans and Notes Receivable from Component Units	520,000.00	
Pledges Receivable, Net		1,205,508.00
Due from State	48,331,920.00	
Inventories	223,714.91	154,268.00
Other Current Assets	18,509.74	119,982.00
Total Current Assets	126,160,683.12	4,209,858.00
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,226,013.16	13,490,856.00
Investments		1,941,687.00
Restricted Investments	28,180,714.25	64,753,180.00
Loans and Notes Receivable from Component Units	575,297.00	
Loans and Notes Receivable, Net		550,000.00
Pledges Receivable, Net		2,208,158.00
Depreciable Capital Assets, Net	211,601,509.08	4,234,142.00
Nondepreciable Capital Assets	177,858,754.76	
Deferred Bond Issuance Costs, Net	1,659,649.06	
Other Noncurrent Assets		99,962.00
Total Noncurrent Assets	426,101,937.31	87,277,985.00
TOTAL ASSETS	$ 552,262,620.43	$ 91,487,843.00
LIABILITIES		
Current Liabilities:		
Temporary Cash Overdraft	$ 5,565,563.73	$
Accounts Payable	5,504,872.34	539,760.00
Construction Contracts Payable	4,225,649.80	
Salaries and Wages Payable	3,093,169.73	
Deposits Payable	3,575,929.61	
Deferred Revenue	7,058,248.11	175,633.00
Other Current Liabilities		80,435.00
Long-Term Liabilities - Current Portion:		
Bonds Payable	2,566,975.82	
Loans and Notes Payable		840,363.00
Loans and Notes Payable to University		520,000.00
Installment Purchase Payable	239,552.78	
Compensated Absences Payable	760,039.34	69,877.00
Total Current Liabilities	32,590,001.26	2,226,068.00

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	$ 150,515,763.75	$
Note Payable to University		575,297.00
Installment Purchase Payable	561,238.22	
Compensated Absences Payable	10,097,665.57	298,762.00
Postemployment Healthcare Benefits Payable	1,878,000.00	
Other Noncurrent Liabilities		84,878.00
Total Noncurrent Liabilities	163,052,667.54	958,937.00
TOTAL LIABILITIES	195,642,668.80	3,185,005.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	241,972,477.50	
Restricted for Nonexpendable:		
Endowment		66,990,006.00
Other		289,742.00
Restricted for Expendable:		
Debt Service	9,815,281.56	
Capital Projects	55,006,676.31	
Other	3,821,230.67	14,923,332.00
Unrestricted	46,004,285.59	6,099,758.00
TOTAL NET ASSETS	356,619,951.63	88,302,838.00
TOTAL LIABILITIES AND NET ASSETS	$ 552,262,620.43	$ 91,487,843.00

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, 2009

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $21,892,494.84 ($1,636,936.38 Pledged for the Student Union Revenue Bonds)	$ 41,526,020.07	$
Federal Grants and Contracts	7,066,600.69	
State and Local Grants and Contracts	1,505,699.11	
Nongovernmental Grants and Contracts	2,250,602.22	
Sales and Services of Auxiliary Enterprises ($10,769,838.70 Pledged for the Housing System Revenue Bonds and $4,230,610.35 Pledged for the Parking System Revenue Bonds)	22,530,570.92	
Other Operating Revenues	26,637.86	13,714,890.00
Total Operating Revenues	74,906,130.87	13,714,890.00
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	120,966,844.01	
Services and Supplies	43,221,820.53	18,053,364.00
Utilities and Communications	7,520,348.60	
Scholarships, Fellowships, and Waivers	15,762,289.76	
Depreciation	15,615,860.62	251,594.00
Total Operating Expenses	203,087,163.52	18,304,958.00
Operating Loss	(128,181,032.65)	(4,590,068.00)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	84,481,861.00	
Federal and State Student Financial Aid	26,080,149.27	
Investment Income (Loss)	3,885,000.73	(28,425,100.00)
Other Nonoperating Revenues	4,264,210.34	4,689.00
Loss on Disposal of Capital Assets	(283,206.44)	
Interest on Capital Asset-Related Debt	(2,202,015.41)	
Other Nonoperating Expenses	(375,985.55)	(1,454,819.00)
Net Nonoperating Revenues (Expenses)	115,850,013.94	(29,875,230.00)
Loss Before Other Revenues, Expenses, Gains, or Losses	(12,331,018.71)	(34,465,298.00)
Capital Appropriations	32,312,879.25	
Capital Grants, Contracts, Donations, and Fees	764,693.68	
Additions to Permanent Endowments		2,660,903.00
Increase (Decrease) in Net Assets	20,746,554.22	(31,804,395.00)
Net Assets, Beginning of Year	335,873,397.41	115,375,844.00
Adjustment to Beginning Net Assets		4,731,389.00
Net Assets, Beginning of Year, as Restated	335,873,397.41	120,107,233.00
Net Assets, End of Year	$ 356,619,951.63	$ 88,302,838.00

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, 2009

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 41,526,020.07
Grants and Contracts	10,989,147.05
Sales and Services of Auxiliary Enterprises	21,926,976.99
Payments to Employees	(119,567,624.35)
Payments to Suppliers for Goods and Services	(50,084,712.18)
Payments to Students for Scholarships and Fellowships	(15,762,289.76)
Other Operating Disbursements	(44,038.76)
Net Cash Used by Operating Activities	(111,016,520.94)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	84,481,861.00
Federal and State Student Financial Aid	26,080,149.27
Net Change in Funds Held for Others	1,637,573.89
Operating Subsidies and Transfers	1,947,170.00
Other Nonoperating Disbursements	(486,591.22)
Net Cash Provided by Noncapital Financing Activities	113,660,162.94
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	2,611,853.00
Capital Appropriations	32,171,251.69
Capital Grants, Contracts, Donations, and Fees	663,041.09
Purchase or Construction of Capital Assets	(96,966,548.74)
Principal Paid on Capital Debt	(2,186,423.40)
Interest Paid on Capital Debt	(7,108,228.67)
Net Cash Used by Capital and Related Financing Activities	(70,815,055.03)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales of Investments, Net	70,223,973.00
Investment Income	4,182,889.19
Net Cash Provided by Investing Activities	74,406,862.19
Net Increase in Cash and Cash Equivalents	6,235,449.16
Cash and Cash Equivalents, Beginning of Year	
Cash and Cash Equivalents, End of Year	$ 6,235,449.16

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (128,181,032.65)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	15,615,860.62
Change in Assets and Liabilities:	
Receivables, Net	(2,208,826.26)
Inventories	47,950.39
Other Assets	93,483.78
Accounts Payable	433,659.70
Deposits Payable	(469,830.96)
Compensated Absences Payable	495,219.66
Deferred Revenue	2,252,994.78
Postemployment Healthcare Benefits Payable	904,000.00
NET CASH USED BY OPERATING ACTIVITIES	$ (111,016,520.94)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES	
Losses from the disposal of capital assets.	$ (283,206.44)
Acquisition of equipment under an installment purchase agreement.	$ 982,672.68
Net unrealized losses from investment activities.	$ (644,747.71)

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, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *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 is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Based on the application of the criteria for determining component units, The University of North Florida Financing Corporation (Financing Corporation) is included within the University reporting entity as a blended component unit. The Financing Corporation was created in October 2005 as a not-for-profit entity organized to receive, hold, invest, and administer property and to issue revenue bonds or other forms of indebtedness (finance or refinance capital projects) with the associated expenditures and debt service, exclusively for the University. An annual audit of the Financing Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Financing Corporation, including copies of its audit reports, is available by contacting the University Controller's Office.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate not-for-profit corporations are organized and operated 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 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.
- Museum of Contemporary Art Jacksonville, Inc. (MOCA), began operating as a direct-support organization of the University during the 2008-09 fiscal year. MOCA operates a museum of contemporary art, which also provides visual arts education and cultural resources to the University in furtherance of its mission and operations, and the University may add its own educational and outreach programs. MOCA serves the community and its visitors through exhibitions, collections, educational programs, and publications designed to enhance an understanding and appreciation of modern and contemporary art with particular emphasis on works created from 1960 to the present.

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

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by 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). GASB allows public universities various reporting options. The University has

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

The University's discretely presented component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Foundation and TSI follow GASB standards of accounting and financial reporting while MOCA follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The University follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $1,000 for tangible

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

personal property, and $100,000 for new buildings and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – Up to 40 years, depending on construction
- Infrastructure and Other Improvements – 10 to 20 years
- Furniture and Equipment:
  - Equipment (Nonoffice) – 5 to 15 years
  - Computer Equipment – 2 to 10 years
  - Moveable Equipment – 3 to 20 years
- Library Resources – 10 years
- Computer Software – 5 to 15 years

The University capitalizes interest on new construction during the construction period. Interest is capitalized using an interest rate which is equivalent to the average borrowing rate on the University's long-term debt issued for the assets to be constructed.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, installment purchase payable, compensated absences payable, and postemployment healthcare benefits payable that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Issuance cost paid from the debt proceeds are reported as Deferred Bond Issuance Costs, Net, on the Statement of Net Assets. These costs are amortized over the life of the bonds using the straight-line method.

2. PRIOR PERIOD ADJUSTMENT

An adjustment of $4,731,389 was made to restate beginning net assets of the University's discretely presented component units to include the Museum of Contemporary Art Jacksonville, Inc., as a new direct-support organization for the 2008-09 fiscal year (as explained in note 1).

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, 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. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and 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. In June 2007, the University's Financing Corporation issued Capital Improvement Revenue Bonds, Series 2007, for the Housing and Student Union projects. The available moneys held are required to be invested by the Trustee pursuant to the written instruction of the issuer.

During the 2008-09 fiscal year, as in prior years, the University contracted for investment advisory and consulting services, and arranged for third-party custody and safekeeping for its nonpooled local investments.

The University's investments at June 30, 2009, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pool - State Board of Administration Fund B Surplus Funds Trust Fund	$ 2,339,804.78
Other Investments:	
United States Government Obligations	19,817,000.82
Federal Agency Obligations	37,096,765.17
Bonds and Notes	22,354,210.97
Money Market Mutual Funds	15,056,329.08
Total Other Investments	94,324,306.04
Total University Investments	$ 96,664,110.82

External Investment Pools

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

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

At June 30, 2009, the University reported investments at fair value of $2,339,804.78 for amounts held in Fund B. The University's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The University's investment in Fund B is unrated.

Other Investments

In addition to external investment pools, the University's investments (which include those of its blended component unit, the University of North Florida Financing Corporation) consisted of various debt securities and money market mutual funds totaling $94,324,306.04 at June 30, 2009. The following risks apply to those University investments:

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The University's investment policy generally requires that the investment portfolio be maintained with short-term maturities to provide sufficient liquidity to pay obligations as they come due, based on anticipated cash flow requirements, and includes certain restrictions on specific investment durations up to a maximum of five years. The Financing Corporation does not have a written investment policy, although the bond documents provide that funds may be invested in authorized investments provided that the investments mature or are redeemable at not less than par on or before the date the funds are estimated to be needed. Investments maturities at June 30, 2009, were as follows:

Investment Type	Investment Maturities (In Years)		
	Fair Value	Less Than 1	1 - 5
United States Government Obligations	$ 19,817,000.82	$ 3,203,702.84	$ 16,613,297.98
Federal Agency Obligations	37,096,765.17	2,385,554.88	34,711,210.29
Bonds and Notes	22,354,210.97		22,354,210.97
Money Market Mutual Funds	15,056,329.08	15,056,329.08	
Total	$ 94,324,306.04	$ 20,645,586.80	$ 73,678,719.24

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2009, the University had $19,817,000.82 of these investments. The University's investment policy

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

requires that the portfolio provide specific types of investments that may be purchased, including credit quality guidelines, where applicable, and maintain a total average quality rating of "AA" or higher. The Financing Corporation is authorized to invest in obligations permitted by law. At June 30, 2009, the University and the Financing Corporation had Federal Agency Obligations, bonds and notes, and money market mutual funds with quality ratings by nationally recognized rating agencies, as follows:

Investment Type	Fair Value	Credit Quality Rating (1)		
		AAA/Aaa	AA/Aa	A
Federal Agency Obligations	$ 37,096,765.17	$ 37,096,765.17	$	$
Bonds and Notes	22,354,210.97	5,766,270.97	5,974,788.32	10,613,151.68
Money Market Mutual Funds	15,056,329.08	15,056,329.08		
Total	$ 74,507,305.22	$ 57,919,365.22	$ 5,974,788.32	$ 10,613,151.68

Note: (1) The credit quality ratings are from Moody's and Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investment securities that are held by someone other than the entity and are not registered in the entity's name. All University investments are held in safekeeping by a third-party custodian. The Financing Corporation's investments are held by a trustee in accordance with applicable bond financing documents.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University policy states that a maximum of five percent of the Fund may be invested in securities of any single issuer, except that United States Government and Federal Agency Obligations are not subject to the limitations. The Financing Corporation's applicable bond financing documents do not address concentration of credit risk.

Discretely Presented Component Units Investments

Investments held by the University's component units are reported at fair value and consist of United States government and Federal agency securities, corporate bonds, fixed income mutual funds, equity mutual funds, hedge funds, private equity funds, and a certificate of deposit. The University of North Florida Foundation, Inc. (Foundation), and The University of North Florida Training and Service Institute, Inc. (TSI), use GASB reporting standards, while the Museum of Contemporary Art Jacksonville, Inc. (MOCA), uses FASB reporting standards that do not require disclosure of the various investment risks; therefore, MOCA's investments at June 30, 2009, of $605,000 are not included in the following investment summary and risk tabulations.

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

The Foundation, reported investments totaling $64,148,180. The Foundation's investment policy states equity securities will be broadly diversified (e.g., country, economic sector, industry, etc.) to minimize the impact during sudden and severe market downturns, as equity markets have historically displayed a high degree of such correlation during these periods. The role of hedge funds is to reduce the overall volatility of the equity fund performance. Fixed income securities will be diversified among different sectors of the fixed income market. The principal purpose of the fixed income fund will be to reduce risk by reducing the overall volatility of the investment returns and to serve as a partial hedge against periods of prolonged economic contraction. The fixed income objective is to preserve principal during periods of deflation, provide a source of current income, and reduce overall portfolio volatility. These portfolios are primarily domestically focused, but do include exposure to international and emerging markets' debt as well. Decisions as to individual security selection, security size and quality, etc., will be left to broad manager discretion.

As of June 30, 2009, the Foundation had approximately 90.3 percent ($57,896,737) of their total portfolio invested in hedge funds and private equity funds. The fund's investments are subject to various risk factors including market, credit, custodial credit risk, and currency risk, which are discussed in the following paragraphs. Additional information is contained in the Foundation's audit reports for the fiscal years ended June 30, 2009, and June 30, 2008, and may be obtained from the Director, University of North Florida TSI/Foundation Accounting, UNF Hall, Suite 2900, 1 UNF Drive, Jacksonville, Florida 32224-2648.

TSI reported investments totaling $1,941,687. TSI's investment policy requires equity securities to be limited to investments in publicly traded securities on a major stock exchange or NASDAQ and provides that not more than 25 percent of the total equity portfolio be invested in foreign companies. For fixed income securities, the investment policy provides that not more than 25 percent of the fixed income portfolio be invested in foreign companies; and that no more than 20 percent of the fair value of the portfolio be invested in Collateralized Mortgage Obligations (CMOs) that consist of Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA), and Federal Home Loan Mortgage Corporation (FHLMC). There is no limit on investments in securities issued directly by the United States Government or any agency or instrumentality thereof. TSI's investment policy prohibits investments in interest only or principal only CMOs, interest rate swaps, precious metals, limited partnerships of any kind, real estate, venture capital, futures contracts, or options contracts in individually managed portfolios. Trading on margin and short selling are also prohibited. TSI does not have a formal policy on limiting the duration of mid-term and long-term investments.

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

The estimated fair value of the Foundation and TSI investments was based on valuations provided by external investment managers at June 30, 2009, and consisted of the following:

Investment Type	Amount
United States Government and Federal Agency Securities	$ 6,087,429
Fixed Income Mutual Funds	299,929
Equity Mutual Funds	462,256
Hedge Funds	43,885,819
Private Equity Funds	14,010,918
Corporate Bonds	52,507
Certificate of Deposit	1,291,009
Total Foundation and TSI Investments	$66,089,867

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Foundation and TSI do not have formal investment policies that limit the duration of investments. However, the University component units manage exposure to declines in fair value occurring from increasing interest rates through the specific identification method and maintaining diversification of investments and investment maturities so as to minimize the impact of downturns in the market. Investments of these component units by investment type and their future maturities at June 30, 2009, are as follows:

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10
University of North Florida Foundation, Inc.				
United States Government and Federal Agency Securities	$ 6,087,429	$ 1,049,328	$ 2,561,797	$ 2,476,304
Corporate Bonds	52,507		52,507	
Fixed Income Mutual Funds	32,643		32,643	
Total	$ 6,172,579	$ 1,049,328	$ 2,646,947	$ 2,476,304
The University of North Florida Training and Services Institute, Inc.				
Fixed Income Mutual Funds	$ 267,286	$	$	$ 267,286

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation has no formal investment policy on credit risk. TSI's investment policy provides that fixed income securities shall be rated "A" or higher by Moody's or Standard & Poor's rating services. At June 30, 2009, the credit quality ratings of the component units' investments are as follows:

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Investment Type	Fair Value	Credit Quality Rating (1) AAA	AA	A	Unrated	
United States Government and Federal Agency Securities	$ 6,087,429	$ 242,289	$	$ 5,845,140	$	
Fixed Income Mutual Funds	299,929	221,189	46,097		32,643	
Equity Mutual Funds	462,256				462,256	(2)
Hedge Funds	43,885,819				43,885,819	(2)
Private Equity Funds	14,010,918				14,010,918	(2)
Corporate Bonds	52,507		36,795	15,712		
Certificate of Deposit	1,291,009		1,291,009			
Total Foundation and TSI Investments	$ 66,089,867	$ 463,478	$ 1,373,901	$ 5,860,852	$ 58,391,636	

Notes: (1) The credit quality ratings are from Standard & Poor's.
(2) Disclosure of credit quality risk is not required for these investment types.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investment securities that are held by someone other than the University or its component units and are not registered in the University's or its component units' name. The Foundation and TSI have no formal investment policy on custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Foundation's investment policy provides that with the exception of obligations of the United States Government and its agencies, no purchase will be made that will cause more than 5 percent of the fixed income fund to be invested in the securities of any one issuer. TSI's investment policy provides for investments in equity securities of not more than 5 percent (at cost) in one corporate issuer, and investments in fixed income securities of not more than 10 percent (at cost) in one corporate issuer.

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student housing rentals, student tuition and fees, contract and grant reimbursements due from third parties, and other amounts comprised of sales and services provided to students and third parties and student fee deferments. As of June 30, 2009, the University reported the following amounts as accounts receivable:

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Description	Amount
Student Housing Rentals	$ 6,076,258.62
Student Tuition and Fees	1,457,750.41
Contracts and Grants	711,995.83
Other	327,701.04
Total Accounts Receivable, Net	$ 8,573,705.90

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of $85,652, at June 30, 2009. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

Loans and Notes Receivable from Component Units. At June 30, 2009, the University had loans and notes receivable from the University of North Florida Foundation, Inc. (Foundation), and the Museum of Contemporary Art Jacksonville, Inc. (MOCA), as shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Foundation - Alumni Hall	$ 1,000,000	$	$ 224,703	$ 775,297	$ 200,000
MOCA - Line of Credit		320,000		320,000	320,000
Loans and Notes Receivble from Component Units	$ 1,000,000	$ 320,000	$ 224,703	$ 1,095,297	$ 520,000

In December 2007, the University acquired the Alumni Hall building, which was partially financed with a $1 million note from the Foundation. The note is due and payable on December 31, 2012, without interest, and may be prepaid in full or in part at anytime without penalty. The University anticipates that the note will be repaid within five years at an annual rate of about $200,000 per year. Effective May 15, 2009, MOCA entered into a revolving line of credit with the University, for up to $500,000, without interest except upon an event of default. MOCA may repay amounts borrowed in whole or part at any time without penalty.

Pledges Receivable, Net. The Foundation accounts for its pledges in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 establishes reporting standards for nonexchange transactions, which in the case of the Foundation are restricted pledges to be contributed in the future. 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

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

value discounts of $1,090,233. Additionally, MOCA reported total pledges receivable net of present value discounts of $7,152.

5. DUE FROM STATE

This amount primarily consists of $41,884,750 of Public Education Capital Outlay and $4,500,000 of Capital Improvement Fee Trust Fund allocations due from the State for construction of University facilities.

6. 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 assets.
- Merchandise Inventory – 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 assets, and are valued at cost using either the moving average method or the first-in, first-out, method.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 12,863,268.61	$	$	$ 12,863,268.61
Construction in Progress	90,880,115.68	87,353,661.69	13,238,291.22	164,995,486.15
Total Nondepreciable Capital Assets	$ 103,743,384.29	$ 87,353,661.69	$ 13,238,291.22	$ 177,858,754.76
Depreciable Capital Assets:				
Buildings	$ 240,873,524.38	$ 12,855,368.49	$ 332,154.16	$ 253,396,738.71
Infrastructure and Other Improvements	30,717,853.45	1,263,882.02		31,981,735.47
Furniture and Equipment	34,700,318.55	6,908,543.54	2,666,341.49	38,942,520.60
Library Resources	32,807,101.39	1,698,548.11		34,505,649.50
Computer Software	6,607,995.99	560,988.39		7,168,984.38
Total Depreciable Capital Assets	345,706,793.76	23,287,330.55	2,998,495.65	365,995,628.66
Less, Accumulated Depreciation:				
Buildings	81,127,624.16	7,201,527.55	260,580.05	88,068,571.66
Infrastructure and Other Improvements	8,475,225.37	1,673,160.71		10,148,386.08
Furniture and Equipment	22,034,769.90	4,320,503.24	2,454,709.16	23,900,563.98
Library Resources	25,748,776.92	1,557,102.92		27,305,879.84
Computer Software	4,107,151.82	863,566.20		4,970,718.02
Total Accumulated Depreciation	141,493,548.17	15,615,860.62	2,715,289.21	154,394,119.58
Total Depreciable Capital Assets, Net	$ 204,213,245.59	$ 7,671,469.93	$ 283,206.44	$ 211,601,509.08

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

8. TEMPORARY CASH OVERDRAFT

The University maintained an account with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the University's records showed a temporary cash overdraft for the amount of outstanding checks not presented as of June 30, 2009. This did not, however, represent an overdraft in the University's depository account.

9. DEFERRED REVENUE

Deferred revenue consists primarily of housing rentals, student tuition and fees, and auxiliary contract commissions collected or contracted prior to fiscal year-end and related to subsequent accounting periods. As of June 30, 2009, the University reported the following amounts as deferred revenue:

Description	Amount
Student Housing Rentals	$ 6,650,840.00
Other Student Fees	365,451.68
Auxiliary Commissions	33,333.33
Other	8,623.10
Total Deferred Revenue	$ 7,058,248.11

10. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2009, include bonds, installment purchases, compensated absences, and postemployment healthcare benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 152,633,638.48	$ 2,594,861.06	$ 2,145,759.97	$ 153,082,739.57	$ 2,566,975.82
Installment Purchase Payable		982,672.68	181,881.68	800,791.00	239,552.78
Compensated Absences Payable	10,362,485.25	1,576,143.01	1,080,923.35	10,857,704.91	760,039.34
Postemployment Healthcare Benefits Payable	974,000.00	904,000.00		1,878,000.00	
Total Long-Term Liabilities	$ 163,970,123.73	$ 6,057,676.75	$ 3,408,565.00	$ 166,619,235.48	$ 3,566,567.94

Bonds Payable. The University had the following bonds payable outstanding at June 30, 2009:

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Bond Type and Series	Amount of Original Issue	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
State University System (SUS) Revenue Bonds:				
1997A Series	$ 2,180,342.87	$ 1,543,438.90	4.75 - 5.00	2016
1998 Series	3,776,391.83	2,867,313.69	4.40 - 5.00	2023
2003A Series	2,003,620.48	799,149.05	5.00	2013
2005A Series	2,949,009.43	2,573,737.82	3.625 - 4.125	2022
2008A Series	2,631,578.95	2,606,359.65	4.00 - 6.50	2033
Total SUS Revenue Bonds	13,540,943.56	10,389,999.11		
Capital Improvement Revenue Bonds:				
Student Union Project, Series 2007	21,235,000.00	21,235,000.00	4.00 - 5.00	2037
Housing Project, Series 2007	111,185,000.00	108,895,000.00	4.00 - 5.00	2037
Parking System, Series 1998, Remarketed	9,600,000.00	9,000,000.00	(1)	2028
Total Capital Improvement Revenue Bonds	142,020,000.00	139,130,000.00		
Less: Unamortized Bond Discounts		(78,613.80)		
Add: Unamortized Bond Premiums		3,641,354.26		
Total	$ 155,560,943.56	$ 153,082,739.57		

Note: (1) The Parking System, Series 1998, Remarketed Bonds have a variable interest rate, which was 0.35 percent as of June 30, 2009.

State University System revenue bonds were issued to acquire and construct various university facilities. These bonds are secured and payable from capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

On January 14, 2009, the Florida Board of Governors, on behalf of the University, issued $2,631,578.95 in State University System Revenue Bonds, Series 2008A. The proceeds of the bonds will be used for acquisition and construction of capital assets.

During the 2006-07 fiscal year, Student Union Project and Student Housing Project bonds were issued by The University of North Florida Financing Corporation, Inc. (Financing Corporation). These bonds were issued to: (1) finance the acquisition, construction, and equipping of a student union and housing facilities; (2) acquire existing housing facilities from the University of North Florida Foundation, Inc. (Foundation) and refund the existing debt on housing facilities; (3) purchase reserve products (bond insurance); (4) pay capitalized interest; and (5) pay the costs of issuance of the Series 2007 bonds.

As a condition of the financing arrangements, the University entered into Ground Sublease and Operating Lease Agreements, dated June 1, 2007, with the Financing Corporation. Under the Ground Sublease

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Agreements, the University leases the land and facilities to the Financing Corporation in exchange for prepaid rent of approximately $90.5 million (the net proceeds of the bonds available for construction). The land covered by the Ground Sublease Agreements, together with the improvements thereon, was leased back to the University to manage and operate under the separate Operating Lease Agreements. The Operating Lease Agreements require that the University pay all debt payments, including principal, interest, fees, and charges over the lease term in accordance with the related bond documents (base rent), and all other operating costs of the premises (additional rent). The agreements terminate on November 1, 2037, or the date on which the bonds are fully paid or cancelled. Net revenues from the student residence facilities are pledged to pay the Student Housing project rents, and a portion of the University's activity and service fees revenues are pledged to pay the Student Union project rents.

Pursuant to applicable bond covenants, during the 2007-08 fiscal year, the University elected to fund the reserve requirement for the Capital Improvement Revenue Bonds, Series 2007, Housing and Student Union Projects, after the firm that issued the reserve products (bond insurance) had its credit rating downgraded by Standard & Poor's and Moody's below A. The $9,613,000 provided by the University, along with interest earnings, is reported as Noncurrent Restricted Investments and Net Assets Restricted for Debt Service on the University's statement of net assets.

On September 4, 2007, the Parking Bonds originally issued by the Foundation, along with the related operating ground leases, were assigned to and subsequently remarketed by the Financing Corporation. Parking System bonds are collateralized by the revenue stream from the University parking system. The interest rate is a variable rate not to exceed 12 percent and was 0.35 percent at June 30, 2009. Interest payments are made monthly and principal is payable annually through May 1, 2028.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 2,566,975.82	$ 6,939,933.47	$ 9,506,909.29
2011	2,660,942.38	6,844,446.79	9,505,389.17
2012	2,780,368.70	6,745,086.14	9,525,454.84
2013	3,277,310.76	6,626,219.38	9,903,530.14
2014	3,607,644.72	6,474,649.08	10,082,293.80
2015-2019	24,382,266.63	29,408,865.63	53,791,132.26
2020-2024	29,480,191.85	23,326,835.01	52,807,026.86
2025-2029	28,665,043.87	16,425,119.55	45,090,163.42
2030-2034	27,169,254.38	9,668,648.95	36,837,903.33
2035-2038	24,930,000.00	2,570,500.00	27,500,500.00
Subtotal	149,519,999.11	115,030,304.00	264,550,303.11
Net Bond Premiums and Discounts	3,562,740.46		3,562,740.46
Total	$ 153,082,739.57	$ 115,030,304.00	$ 268,113,043.57

Installment Purchase Payable. The University entered into an installment purchase agreement for the purchase of equipment costing $982,672.68. The stated interest rate is 2.49 percent. Future minimum payments remaining under the installment purchase agreement and the present value of the minimum payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Amount
2010	$ 257,267.24
2011	257,267.24
2012	257,267.24
2013	64,316.81
Total Minimum Payments	836,118.53
Less, Amount Representing Interest	35,327.53
Present Value of Minimum Payments	$ 800,791.00

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 policy, and collective bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State 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, 2009, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $10,857,704.91. The current portion of the compensated absences liability of $760,039.34 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.

Postemployment Healthcare Benefits Payable. The University follows Governmental Accounting Standards Board 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. 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. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 87 retirees received postemployment healthcare benefits. The University provided required contributions of $608,000 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 $940,000.

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 Governmental Accounting Standards Board Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Description	Amount
Normal Cost (Service Cost for One Year)	$ 704,000
Amortization of Unfunded Actuarial Accrued Liability	678,000
Interest on Normal Cost and Amortization	55,000
Annual Required Contribution	1,437,000
Interest on Net OPEB Obligation	42,000
Adjustment to Annual Required Contribution	(36,000)
Annual OPEB Cost (Expense)	1,443,000
Contribution Toward the OPEB Cost	(608,000)
Increase in Net OPEB Obligation	835,000
Net OPEB Obligation, Beginning of Year	974,000
Actuarial Adjustment to Beginning of Year	69,000
Net OPEB Obligation, End of Year	$ 1,878,000

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, 2009, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	$		$
2007-08	1,537,000	36.6%	974,000
2008-09	1,443,000	42.1%	1,878,000

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $19,672,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $19,672,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $82,238,029 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.9 percent.

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

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 initial OPEB actuarial valuation as of July 1, 2007, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the estimated 2008-09 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 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for employees covered by Medicare was 9.1 percent, and 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps.. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009, was 28 years.

11. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested 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; however, there is a benefit reduction

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments.

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled $3,428,243.94, $3,333,883.18, and $3,407,247.42, respectively, which were equal to the required contributions for each fiscal year.

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

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

various approved investment choices. Employees in PEORP vest at one year of service. There were 169 University participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled $574,795.08.

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

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant's salary, less a small amount used to cover 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 payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 860 University participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled $4,725,225.41 and employee contributions totaled $2,024,379.10.

12. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2009, are as follows:

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Project Description	Total Commitment	Completed to Date	Balance Committed
University Housing	$ 86,195,000.00	$ 79,970,997.04	$ 6,224,002.96
Student Union	50,400,001.00	47,708,424.61	2,691,576.39
Education Building	26,290,000.00	23,733,584.11	2,556,415.89
Science and Humanities Building	24,000,000.00	105.79	23,999,894.21
UNF Hall Renovations	11,000,000.00	4,615,273.20	6,384,726.80
Infrastructure Projects	8,891,768.00	2,385,104.91	6,506,663.09
Founders Hall	5,000,000.00	388,072.51	4,611,927.49
Multi-Purpose Classrooms	4,500,000.00	4,108,220.77	391,779.23
Campus Recreation	4,500,000.00	108.77	4,499,891.23
Total Major Projects	220,776,769.00	162,909,891.71	57,866,877.29
Other Projects	5,943,358.32	2,085,594.44	3,857,763.88
Total	$ 226,720,127.32	$ 164,995,486.15	$ 61,724,641.17

13. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2008-09 fiscal year, for property losses, the State retained the first $2 million of losses for each occurrence with an annual aggregate retention of $40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $50 million for named wind and flood. For perils other than named wind 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; and 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 $100,000 per person, and $200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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.

14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount
Instruction	$ 66,049,145.72
Research	7,191,923.76
Public Services	3,823,284.45
Academic Support	14,475,870.18
Student Services	17,431,459.97
Institutional Support	26,349,266.76
Operation and Maintenance of Plant	14,805,127.90
Scholarships and Fellowships	15,762,289.76
Depreciation	15,615,860.62
Auxiliary Enterprises	21,582,934.40
Total Operating Expenses	$ 203,087,163.52

15. 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. The following financial information for the University's Parking System, Housing System, and Student Union represents identifiable activities for which revenue bonds are outstanding:

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Condensed Statement of Net Assets

	Parking System	Housing System	Student Union
Assets			
Current Assets	$ 6,897,539.64	$ 14,611,505.74	$ 3,952,876.67
Capital Assets, Net	12,269,753.24	98,637,581.55	48,098,114.89
Other Noncurrent Assets	70,442.00	17,100,668.86	1,712,338.54
Total Assets	19,237,734.88	130,349,756.15	53,763,330.10
Liabilities			
Current Liabilities	511,099.22	7,816,762.77	503,245.99
Noncurrent Liabilities	8,620,155.39	112,997,019.49	21,218,068.99
Total Liabilities	9,131,254.61	120,813,782.26	21,721,314.98
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,340,195.24	(11,104,382.67)	26,771,724.09
Restricted for Debt Service		8,378,635.59	1,460,660.35
Restricted for Capital Projects		4,555,403.44	3,923,597.40
Unrestricted	6,766,285.03	7,706,317.53	(113,966.72)
Total Net Assets	$ 10,106,480.27	$ 9,535,973.89	$ 32,042,015.12

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

	Parking System	Housing System	Student Union
Operating Revenues	$ 4,230,610.35	$ 10,769,838.70	$ 1,636,965.20
Depreciation Expense	(991,945.58)	(1,424,772.96)	(15,473.48)
Other Operating Expenses	(1,452,528.95)	(6,530,130.65)	(2,254,967.52)
Operating Income (Loss)	1,786,135.82	2,814,935.09	(633,475.80)
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	1,190,230.02	1,827,270.26	500,753.92
Interest Expense	(110,059.45)	(1,547,811.29)	
Nonoperating Expense	(560,801.68)	(155,855.75)	(11,078.99)
Net Nonoperating Revenues	519,368.89	123,603.22	489,674.93
Increase (Decrease) in Net Assets	2,305,504.71	2,938,538.31	(143,800.87)
Net Assets, Beginning of Year	7,800,975.56	6,597,435.58	32,185,815.99
Net Assets, End of Year	$ 10,106,480.27	$ 9,535,973.89	$ 32,042,015.12

Condensed Statement of Cash Flows

	Parking System	Housing System	Student Union
Net Cash Provided (Used) by:			
Operating Activities	$ 2,170,282.45	$ 3,834,143.17	$ 1,615,559.05
Noncapital Financing Activities		10,863,737.21	(8,602,725.68)
Capital and Related Financing Activities	(885,548.33)	(35,530,167.33)	(23,696,659.66)
Investing Activities	492,888.61	29,337,000.11	29,570,117.17
Net Increase (Decrease) in Cash and Cash Equivalents	1,777,622.73	8,504,713.16	(1,113,709.12)
Cash and Cash Equivalents, Beginning of Year	4,518,393.92		1,113,709.12
Cash and Cash Equivalents, End of Year	$ 6,296,016.65	$ 8,504,713.16	$

UNIVERSITY OF NORTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

16. COMPONENT UNITS

The University has four component units as discussed in note 1. Three component units, the University of North Florida Foundation, Inc., The University of North Florida Training and Service Institute, Inc., and the Museum of Contemporary Art Jacksonville, Inc., comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The financial position and the results of operations of The University of North Florida Financing Corporation are blended with the University. The following financial information is from the most recently available audited financial statements for the discretely presented component units:

	Direct-Support Organizations			Total
	University of North Florida Foundation, Inc. 6-30-09	The University of North Florida Training and Service Institute, Inc. 6-30-09	Museum of Contemporary Art Jacksonville, Inc. 6-30-09 (1)	
Condensed Statement of Net Assets				
Assets:				
Current Assets	$ 2,095,250	$ 1,782,706	$ 331,902	$ 4,209,858
Capital Assets, Net			4,234,142	4,234,142
Other Noncurrent Assets	79,746,227	2,491,687	805,929	83,043,843
Total Assets	81,841,477	4,274,393	5,371,973	91,487,843
Liabilities:				
Current Liabilities	413,671	482,283	1,330,114	2,226,068
Noncurrent Liabilities	693,742	265,195		958,937
Total Liabilities	1,107,413	747,478	1,330,114	3,185,005
Net Assets:				
Restricted	80,456,967	1,000,000	746,113	82,203,080
Unrestricted	277,097	2,526,915	3,295,746	6,099,758
Total Net Assets	$ 80,734,064	$ 3,526,915	$ 4,041,859	$ 88,302,838
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	$ 4,052,465	$ 8,511,245	$ 1,151,180	$ 13,714,890
Operating Expenses	(7,758,931)	(8,737,615)	(1,808,412)	(18,304,958)
Operating Loss	(3,706,466)	(226,370)	(657,232)	(4,590,068)
Net Nonoperating Expenses	(27,899,994)	(1,942,938)	(32,298)	(29,875,230)
Additions to Permanent Endowments	2,660,903			2,660,903
Decrease in Net Assets	(28,945,557)	(2,169,308)	(689,530)	(31,804,395)
Net Assets, Beginning of Year	109,679,621	5,696,223		115,375,844
Adjustment to Beginning Net Assets (1)			4,731,389	4,731,389
Net Assets, Beginning of Year, as Restated	109,679,621	5,696,223	4,731,389	120,107,233
Net Assets, End of Year	$ 80,734,064	$ 3,526,915	$ 4,041,859	$ 88,302,838

Note: (1) Adjustment to Beginning Net Assets to include the Museum of Contemporary Art Jacksonville, Inc., as a new discretely presented component unit for the 2008-09 fiscal year.

UNIVERSITY OF NORTH FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b) (2)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	$	$ 20,966,000	$ 20,966,000	0%	$ 83,863,055	25.0%
(1)	$	$ 19,672,000	$ 19,672,000	0%	$ 82,238,029	23.9%

Notes: (1) The most recent actuarial valuation was July 1, 2007. An update, dated October 14, 2008, took into account anticipated PPO cost increases, HMO cost increases, and retiree contribution increases used in the July 31, 2008, report on the Financial Outlook for the State Employees' Group Self-Insurance Trust Fund.

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

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the basic 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, 2009, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to 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. Other auditors 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, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, with which noncompliance 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 report No. 2010-141.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
March 25, 2010