

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**UNIVERSITY OF NORTH FLORIDA**

For the Fiscal Year Ended  
June 30, 2016



Sherrill F. Norman, CPA  
Auditor General

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During the 2015-16 fiscal year, Mr. John A. Delaney served as President of the University of North Florida and the following individuals served as Members of the Board of Trustees:

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Shomari Gloster <sup>a</sup> to 7-27-15	Oscar Munoz
Wilfredo J. Gonzalez from 3-24-16	Joan W. Newton to 1-20-16
Caleb Grantham <sup>a</sup> from 4-11-16	M. Lynn Pappas to 3-23-16
Hailey Guerra <sup>a</sup> from 7-28-15 to 4-10-16	Myron W. Pincomb to 3-23-16
Kevin E. Hyde from 3-24-16	Hans G. Tanzler III
	Dr. R. Bruce Taylor to 7-1-15
	Sharon Wamble-King

<sup>a</sup> Student Body President.

<sup>b</sup> Faculty Association President (equivalent to faculty senate chair referred to in Section 1001.71(1), Florida Statutes).

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

The team leader was Jillian M. Litchfield and the supervisor was Randy R. Arend, CPA.

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

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**UNIVERSITY OF NORTH FLORIDA**  
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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the University of North Florida (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether 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, 2016. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

## AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.





Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of North Florida Financing Corporation, a blended component unit, which represent 7 percent, 54 percent, and 3 percent, respectively, of the assets, liabilities, and expenses reported for the University of North Florida. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended component unit and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and

perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of North Florida and of its aggregate discretely presented component units as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated March 21, 2017, 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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of North Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 21, 2017

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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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, 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2016, and June 30, 2015.

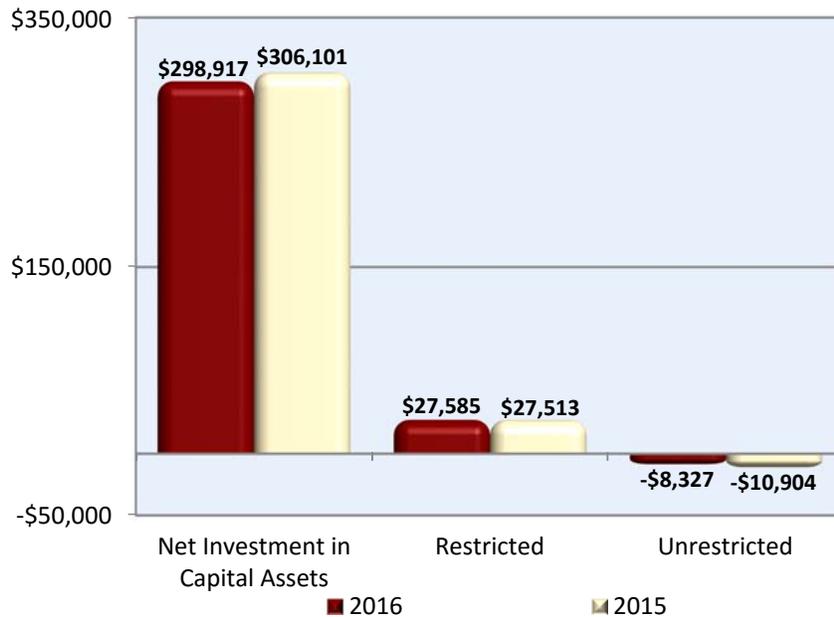
### **FINANCIAL HIGHLIGHTS**

The University's assets totaled \$585.7 million at June 30, 2016. This balance reflects a \$2.1 million, or 0.4 percent, decrease as compared to June 30, 2015, primarily resulting from a decrease in net capital assets due to depreciation, offset by an increase in University investments. Liabilities increased \$19.2 million, or 7.4 percent, totaling \$279.5 million at June 30, 2016, compared to \$260.3 million at June 30, 2015, primarily due to a \$16 million increase in the net pension liability. Deferred outflows of resources increased by \$5.5 million and deferred inflows of resources decreased by \$11.2 million due to pension activity during the 2015-16 fiscal year. As a result, the University's net position decreased by \$4.5 million, resulting in a year-end balance of \$318.2 million.

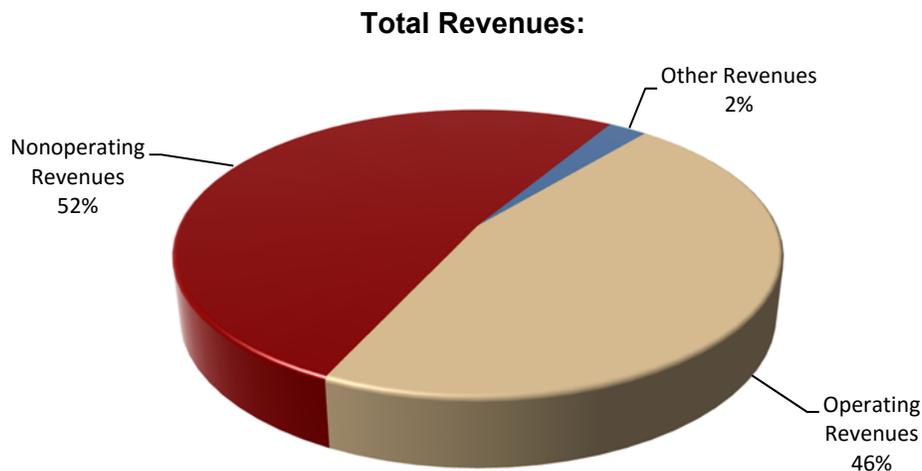
The University's operating revenues totaled \$123.5 million for the 2015-16 fiscal year, representing a 0.1 percent increase compared to the 2014-15 fiscal year. Operating expenses totaled \$263.4 million for the 2015-16 fiscal year, representing an increase of 3.2 percent as compared to the 2014-15 fiscal year, due mainly to an increase in compensation and employee benefits and services and supplies expenses.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2016, and June 30, 2015, is shown in the following graph:

**Net Position:  
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2015-16 fiscal year:



**OVERVIEW OF FINANCIAL STATEMENTS**

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

- University of North Florida Financing Corporation (Financing Corporation)
- University of North Florida Foundation, Inc. (Foundation)

- The University of North Florida Training and Service Institute, Inc. (TSI)
- Museum of Contemporary Art Jacksonville, Inc. (MOCA)

Based on the application of the criteria for determining component units, the Financing Corporation is included within the University reporting entity as a blended component unit, and the Foundation, the TSI, and MOCA are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. MD&A information for the discretely presented component units is included in their separately issued audit reports.

### **The Statement of Net Position**

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

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

#### **Condensed Statement of Net Position at June 30**

(In Thousands)

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current Assets	\$ 115,053	\$ 106,037
Capital Assets, Net	463,044	476,391
Other Noncurrent Assets	<u>7,652</u>	<u>5,463</u>
<b>Total Assets</b>	<u>585,749</u>	<u>587,891</u>
<b>Deferred Outflows of Resources</b>	<u>17,997</u>	<u>12,459</u>
<b>Liabilities</b>		
Current Liabilities	28,514	25,725
Noncurrent Liabilities	<u>251,000</u>	<u>234,618</u>
<b>Total Liabilities</b>	<u>279,514</u>	<u>260,343</u>
<b>Deferred Inflows of Resources</b>	<u>6,057</u>	<u>17,297</u>
<b>Net Position</b>		
Net Investment in Capital Assets	298,917	306,101
Restricted	27,585	27,513
Unrestricted	<u>(8,327)</u>	<u>(10,904)</u>
<b>Total Net Position</b>	<u>\$ 318,175</u>	<u>\$ 322,710</u>

The University's total assets decreased by \$2.1 million. Current assets increased by \$9 million, mainly from an increase in University investments, and capital assets, net of accumulated depreciation, decreased by \$13.3 million from depreciation expenses in excess of capital asset additions during the 2015-16 fiscal year. The decrease in the University's deferred inflows of resources of \$11.2 million and increases in deferred outflows of resources of \$5.5 million and noncurrent liabilities of \$16.4 million are primarily due to pension activity during the 2015-16 fiscal year.

### **The Statement of Revenues, Expenses, and Changes in Net Position**

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

The following summarizes the University's activity for the 2015-16 and 2014-15 fiscal years:

#### **Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Fiscal Years**

(In Thousands)

	<b>2015-16</b>	<b>2014-15</b>
Operating Revenues	\$ 123,540	\$ 123,361
Less, Operating Expenses	263,354	255,229
<b>Operating Loss</b>	(139,814)	(131,868)
Net Nonoperating Revenues	128,660	122,648
<b>Loss Before Other Revenues</b>	(11,154)	(9,220)
Other Revenues	6,619	16,929
<b>Net Increase (Decrease) In Net Position</b>	(4,535)	7,709
Net Position, Beginning of Year	322,710	346,312
Adjustment to Beginning Net Position (1)	-	(31,311)
<b>Net Position, Beginning of Year, as Restated</b>	322,710	315,001
<b>Net Position, End of Year</b>	\$ 318,175	\$ 322,710

Note: (1) For the 2014-15 fiscal year, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 68.

### **Operating Revenues**

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

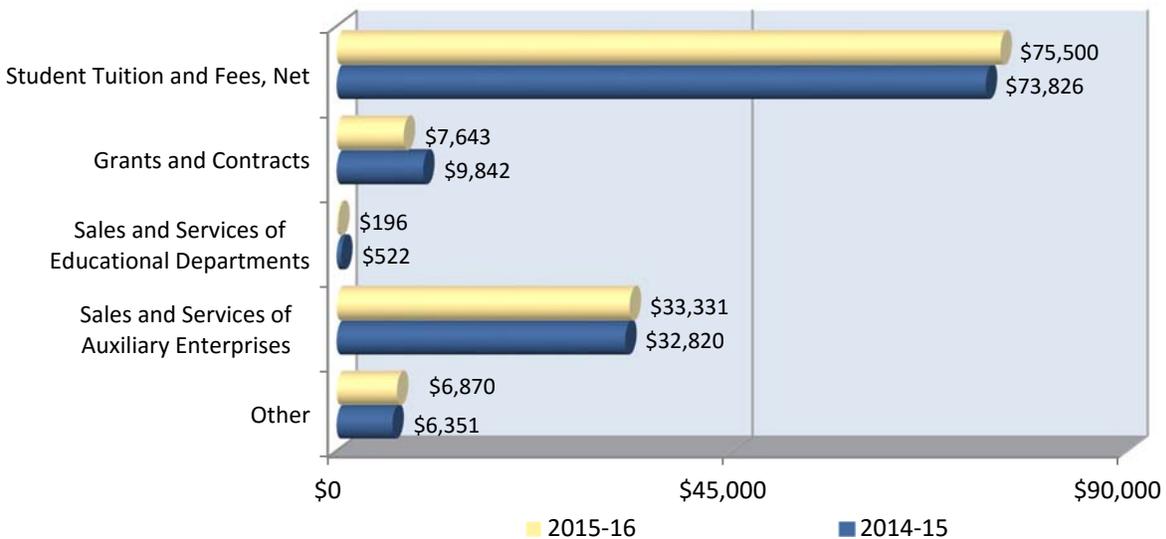
The following summarizes the operating revenues by source that were used to fund operating activities for the 2015-16 and 2014-15 fiscal years:

**Operating Revenues  
For the Fiscal Years  
(In Thousands)**

	<u>2015-16</u>	<u>2014-15</u>
Student Tuition and Fees, Net	\$ 75,500	\$ 73,826
Grants and Contracts	7,643	9,842
Sales and Services of Educational Departments	196	522
Sales and Services of Auxiliary Enterprises	33,331	32,820
Other	6,870	6,351
<b>Total Operating Revenues</b>	<b><u>\$ 123,540</u></b>	<b><u>\$ 123,361</u></b>

The following chart presents the University's operating revenues for the 2015-16 and 2014-15 fiscal years:

**Operating Revenues  
(In Thousands)**



University operating revenue remained fairly consistent when compared to the prior fiscal year.

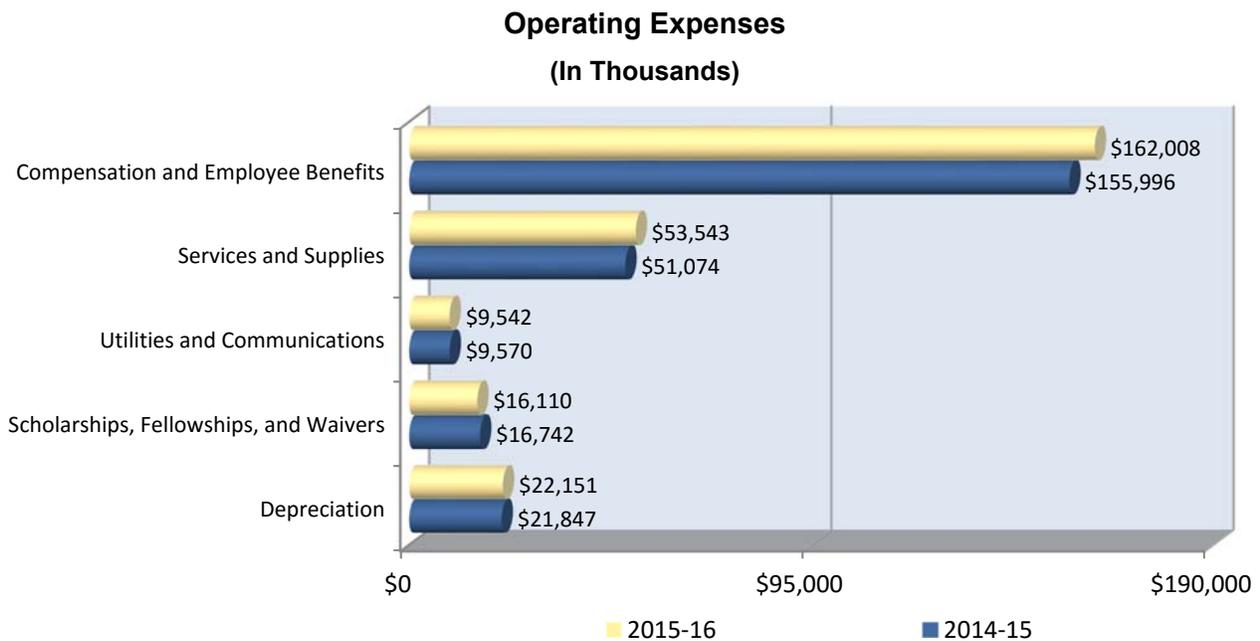
**Operating Expenses**

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

The following summarizes operating expenses by natural classification for the 2015-16 and 2014-15 fiscal years:

<b>Operating Expenses For the Fiscal Years</b>		
(In Thousands)		
	<u>2015-16</u>	<u>2014-15</u>
Compensation and Employee Benefits	\$ 162,008	\$ 155,996
Services and Supplies	53,543	51,074
Utilities and Communications	9,542	9,570
Scholarships, Fellowships, and Waivers	16,110	16,742
Depreciation	22,151	21,847
<b>Total Operating Expenses</b>	<b>\$ 263,354</b>	<b>\$ 255,229</b>

The following chart presents the University's operating expenses for the 2015-16 and 2014-15 fiscal years:



The University's overall operating expenses increased by \$8.1 million, or 3.2 percent, primarily as a result of a \$6 million increase in employee compensation and benefits as a result of increases in the number of faculty employed and employee benefit costs and \$2.5 million increase in services and supplies expenses.

### **Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2015-16 and 2014-15 fiscal years:

**Nonoperating Revenues (Expenses)  
For the Fiscal Years**

(In Thousands)

	<b>2015-16</b>	<b>2014-15</b>
State Noncapital Appropriations	\$ 96,780	\$ 91,463
Federal and State Student Financial Aid	27,901	30,105
Investment Income	2,355	889
Loss on Disposal of Capital Assets	(144)	(24)
Other Nonoperating Revenues	12,386	10,738
Interest on Capital Asset-Related Debt	(7,342)	(7,344)
Other Nonoperating Expenses	(3,276)	(3,179)
<b>Net Nonoperating Revenues</b>	<b>\$ 128,660</b>	<b>\$ 122,648</b>

Net nonoperating revenue increased by \$6 million, or 4.9 percent, primarily due to an increase in State noncapital appropriations of \$5.3 million primarily as a result additional performance funding.

**Other Revenues**

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2015-16 and 2014-15 fiscal years:

**Other Revenues  
For the Fiscal Years**

(In Thousands)

	<b>2015-16</b>	<b>2014-15</b>
State Capital Appropriations	\$ 5,536	\$ 16,014
Capital Grants, Contracts, Donations, and Fees	1,083	915
<b>Total</b>	<b>\$ 6,619</b>	<b>\$ 16,929</b>

Other revenues decreased by \$10.3 million, or 60.9 percent, primarily due to a \$10.5 million decrease in State capital appropriations for major construction and renovation projects.

**The Statement of Cash Flows**

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds 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 2015-16 and 2014-15 fiscal years:

**Condensed Statement of Cash Flows  
For the Fiscal Years**

(In Thousands)

	<b>2015-16</b>	<b>2014-15</b>
Cash Provided (Used) by:		
Operating Activities	\$ (110,661)	\$ (108,093)
Noncapital Financing Activities	137,407	131,860
Capital and Related Financing Activities	(16,569)	(31,322)
Investing Activities	(8,546)	7,695
<b>Net Increase in Cash and Cash Equivalents</b>	1,631	140
Cash and Cash Equivalents, Beginning of Year	1,888	1,748
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,519</b>	<b>\$ 1,888</b>

Major sources of funds from operating activities are from net student tuition and fees of \$75.5 million, sales and services of auxiliary enterprises of \$32.9 million, Federal, State, and local grants and contracts of \$8.4 million, and other operating receipts of \$6.7 million. Major uses of funds were payments made to and on behalf of employees totaling \$155.2 million, payments to suppliers totaling \$63.1 million, and payments to and on behalf of students for scholarships totaling \$16.1 million. The increase in net cash used by operating activities was due primarily to increases in payments to employees of \$4.3 million.

Major sources of funds from noncapital financing activities are from State noncapital appropriations of \$96.8 million, Federal Direct Loan program receipts of \$55.8 million, Federal and State student financial aid of \$27.9 million, and other nonoperating receipts of \$10.1 million. The major use of funds was Federal Direct Loan program disbursements of \$55.8 million. The increase in net cash provided by noncapital financing activities resulted primarily from an increase in State noncapital appropriations receipts of \$5.3 million.

Funds used by capital and related financing activities was \$16.6 million, and was primarily composed of \$9.8 million paid for purchase or construction of capital assets, \$6 million principal paid on capital debt and leases, and \$7.4 million of interest paid on capital debt and leases, offset by receipts of State capital appropriations of \$6.1 million.

Investing activities used \$8.5 million in cash for purchases of investments.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,  
AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2016, the University had \$737.2 million in capital assets, less accumulated depreciation of \$274.2 million, for net capital assets of \$463 million. Depreciation charges for the current fiscal year totaled \$22.2 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)

	<u>2016</u>	<u>2015</u>
Land	\$ 20,929	\$ 20,929
Construction in Progress	4,438	6,753
Buildings	392,999	401,586
Infrastructure and Other Improvements	32,219	32,822
Furniture and Equipment	7,890	8,746
Library Resources	1,937	3,088
Property Under Capital Lease and Leasehold Improvements	1,520	1,151
Computer Software	1,112	1,316
<b>Capital Assets, Net</b>	<u><u>\$463,044</u></u>	<u><u>\$476,391</u></u>

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

### **Capital Expenses and Commitments**

Major capital expenses through June 30, 2016, were incurred for the Skinner Jones Hall Renovation. Major capital construction commitments included \$16.3 million for the Skinner Jones Hall Renovation and \$1.6 million for the Competition Pool. The University's total construction commitments at June 30, 2016, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 24,565
Completed to Date	(4,438)
<b>Balance Committed</b>	<u><u>\$ 20,127</u></u>

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

### **Debt Administration**

As of June 30, 2016, the University had \$164.1 million in outstanding bonds payable, capital improvement debt payable, and loans and notes payable, representing a decrease of \$6.2 million, or 3.6 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)

	<u>2016</u>	<u>2015</u>
Bonds Payable	\$ 122,937	\$ 127,234
Capital Improvement Debt Payable	13,523	13,982
Loans and Notes Payable	27,667	29,056
Capital Lease Payable	-	18
<b>Total</b>	<u>\$ 164,127</u>	<u>\$ 170,290</u>

In March 2016, Standard & Poor's rating services downgraded the University of North Florida Financing Corporation's Student Union Project, Series 2007, and Housing Project, Series 2007, Capital Improvement Revenue Bonds, and the University's Student Wellness Center, Series 2010A and 2010B, Mandatory Student Fee Revenue Bonds, to "A" from "A+" because of declining balance sheet ratios and consistent operating deficits on a full accrual basis attributable to declining student enrollment and a challenging State funding environment. Subsequent to the fiscal year-end, in December 2016, Moody's Investors Service affirmed its A2 rating on the University's Student Wellness Center, Series 2010B, Mandatory Student Fee Revenue Bonds.

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

### ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. The University's State funding decreased by \$7.6 million for the 2016-17 fiscal year, primarily from a \$5.6 million decrease in appropriations for performance funding. Tuition and fees were not increased for the 2016-17 fiscal year and salary increases were not approved by the Legislature or the Board of Trustees. The University will also receive \$14.3 million in State capital appropriations, including \$11 million toward the renovation of Skinner Jones Hall, \$1.8 million for minor maintenance, renovation and repair projects, and \$1.6 million for the Student Assembly Center.

### REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President Administration and Finance, University of North Florida, 1 UNF Drive, Hicks Hall, Suite 2200, Jacksonville, Florida 32224-2648.

# BASIC FINANCIAL STATEMENTS

## University of North Florida A Component Unit of the State of Florida Statement of Net Position

June 30, 2016

	<u>University</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 243,384.07	\$ 286,813.00
Investments	85,115,543.02	-
Accounts Receivable, Net	10,670,433.17	938,192.00
Loan Receivable from Component Unit	50,000.00	-
Loans and Notes Receivable, Net	-	81,651.00
Restricted Pledges Receivable, Net	-	856,886.00
Due from State	18,724,085.00	-
Inventories	235,895.56	42,623.00
Other Current Assets	13,943.37	144,810.00
<b>Total Current Assets</b>	<b>115,053,284.19</b>	<b>2,350,975.00</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,275,214.36	6,942,955.00
Investments	-	833,699.00
Restricted Investments	4,051,413.15	98,436,949.00
Loan Receivable from Component Unit	325,000.00	-
Loans and Notes Receivable, Net	-	6,325,449.00
Restricted Pledges Receivable, Net	-	1,617,894.00
Depreciable Capital Assets, Net	437,676,304.14	13,350,542.00
Nondepreciable Capital Assets	25,367,537.02	3,307,556.00
Other Noncurrent Assets	-	963,151.00
<b>Total Noncurrent Assets</b>	<b>470,695,468.67</b>	<b>131,778,195.00</b>
<b>Total Assets</b>	<b>585,748,752.86</b>	<b>134,129,170.00</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	17,996,539.00	-
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	3,766,006.01	874,922.00
Construction Contracts Payable	559,620.29	-
Salary and Wages Payable	2,918,887.78	-
Deposits Payable	11,043,728.67	-
Unearned Revenue	182,307.64	478,319.00
Accrued Interest Payable	1,149,374.28	-
Other Current Liabilities	-	1,135,196.00
Long-Term Liabilities - Current Portion:		
Unearned Revenue	688,500.00	-
Bonds Payable	4,355,000.00	-
Capital Improvement Debt Payable	460,000.00	-
Loans and Notes Payable	1,373,922.50	1,513,302.00
Loan Payable to the University	-	50,000.00
Compensated Absences Payable	1,381,759.44	168,556.00
Net Pension Liability	634,698.00	-
<b>Total Current Liabilities</b>	<b>28,513,804.61</b>	<b>4,220,295.00</b>

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

**June 30, 2016**

	<b>University</b>	<b>Component Units</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Unearned Revenue	3,161,392.50	-
Bonds Payable	118,582,054.88	-
Capital Improvement Debt Payable	13,063,122.72	-
Loans and Notes Payable	26,293,044.20	10,850,416.00
Loan Payable to University	-	325,000.00
Compensated Absences Payable	13,971,123.23	331,690.00
Other Postemployment Benefits Payable	36,197,000.00	-
Net Pension Liability	39,732,071.00	-
Other Noncurrent Liabilities	-	9,136.00
	<b>250,999,808.53</b>	<b>11,516,242.00</b>
<b>Total Noncurrent Liabilities</b>		
	<b>250,999,808.53</b>	<b>11,516,242.00</b>
<b>Total Liabilities</b>	<b>279,513,613.14</b>	<b>15,736,537.00</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	6,056,902.00	-
	<b>6,056,902.00</b>	<b>-</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	298,916,696.86	4,294,378.00
Restricted for Nonexpendable:		
Endowment	-	97,386,441.00
Restricted for Expendable:		
Debt Service	5,157,634.19	-
Capital Projects	20,496,196.43	-
Other	1,931,720.89	16,419,882.00
Unrestricted	(8,327,471.65)	291,932.00
	<b>\$ 318,174,776.72</b>	<b>\$ 118,392,633.00</b>
<b>TOTAL NET POSITION</b>		
	<b>\$ 318,174,776.72</b>	<b>\$ 118,392,633.00</b>

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

**University of North Florida**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2016**

	<b>University</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$29,756,851.90 (\$1,629,937.62 Pledged for the Student Union Revenue Bonds and \$1,253,311.95 Pledged for the Student Wellness Center Revenue Bonds)	\$ 75,499,695.83	\$ -
Federal Grants and Contracts	3,799,741.80	-
State and Local Grants and Contracts	1,641,863.80	-
Nongovernmental Grants and Contracts	2,201,581.26	-
Sales and Services of Educational Departments	196,430.76	-
Sales and Services of Auxiliary Enterprises (\$18,338,243.30 Pledged for Housing Facility Revenue Bonds, \$3,218,477.45 Pledged for Parking System Revenue Bonds, and \$3,886,504.68 Pledged for The Flats at Kernan Loan)	33,330,504.33	-
Other Operating Revenues	6,870,523.37	19,773,950.00
<b>Total Operating Revenues</b>	<b>123,540,341.15</b>	<b>19,773,950.00</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	162,008,120.38	955,495.00
Services and Supplies	53,542,393.15	20,627,159.00
Utilities and Communications	9,542,011.81	-
Scholarships, Fellowships, and Waivers	16,110,356.97	-
Depreciation	22,151,081.27	912,365.00
<b>Total Operating Expenses</b>	<b>263,353,963.58</b>	<b>22,495,019.00</b>
<b>Operating Loss</b>	<b>(139,813,622.43)</b>	<b>(2,721,069.00)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	96,779,859.00	-
Federal and State Student Financial Aid	27,900,907.00	-
Investment Income (Loss)	2,355,382.13	(1,246,157.00)
Other Nonoperating Revenues	12,386,007.83	-
Loss on Disposal of Capital Assets	(143,617.72)	-
Interest on Capital Asset-Related Debt	(7,342,128.94)	(861,403.00)
Other Nonoperating Expenses	(3,276,314.48)	(446,561.00)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>128,660,094.82</b>	<b>(2,554,121.00)</b>
<b>Loss Before Other Revenues</b>	<b>(11,153,527.61)</b>	<b>(5,275,190.00)</b>
State Capital Appropriations	5,534,907.00	-
Capital Grants, Contracts, Donations, and Fees	1,083,067.71	-
Additions to Permanent Endowments	-	5,485,426.00
<b>Increase (Decrease) in Net Position</b>	<b>(4,535,552.90)</b>	<b>210,236.00</b>
Net Position, Beginning of Year	322,710,329.62	118,182,397.00
<b>Net Position, End of Year</b>	<b>\$ 318,174,776.72</b>	<b>\$ 118,392,633.00</b>

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

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

**For the Fiscal Year Ended June 30, 2016**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 75,478,238.45
Grants and Contracts	8,437,324.87
Sales and Services of Educational Departments	196,430.76
Sales and Services of Auxiliary Enterprises, Net	32,920,128.05
Payments to Employees	(155,173,134.38)
Payments to Suppliers for Goods and Services	(63,124,287.28)
Payments to Students for Scholarships and Fellowships	(16,110,356.97)
Other Operating Receipts	6,715,140.38
<b>Net Cash Used by Operating Activities</b>	<b>(110,660,516.12)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	96,779,859.00
Federal and State Student Financial Aid	27,900,907.00
Federal Direct Loan Program Receipts	55,788,153.00
Federal Direct Loan Program Disbursements	(55,788,153.00)
Net Change in Funds Held for Others	2,597,034.99
Other Nonoperating Receipts	10,128,880.48
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>137,406,681.47</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	6,103,149.00
Capital Grants, Contracts, Donations and Fees	516,325.79
Proceeds from Sale of Capital Assets	12,250.00
Purchase or Construction of Capital Assets	(9,780,015.65)
Principal Paid on Capital Debt and Leases	(6,026,645.87)
Interest Paid on Capital Debt and Leases	(7,394,442.22)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(16,569,378.95)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	118,111,014.39
Purchases of Investments	(128,195,288.55)
Investment Income	1,537,804.98
<b>Net Cash Used by Investing Activities</b>	<b>(8,546,469.18)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,630,317.22</b>
Cash and Cash Equivalents, Beginning of Year	1,888,281.21
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,518,598.43</b>

**University of North Florida**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows (Continued)**  
**For the Fiscal Year Ended June 30, 2016**

	<b>University</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (139,813,622.43)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	22,151,081.27
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	766,247.03
Inventories	10,785.28
Loan Receivable from Component Unit	50,000.00
Other Current Assets	(5,077.27)
Accounts Payable	(45,590.33)
Deposits Payable	33,407.64
Compensated Absences Payable	431,859.00
Unearned Revenue	(642,733.31)
Other Postemployment Benefits Payable	7,205,000.00
Net Pension Liability	15,975,860.00
Deferred Outflows of Resources Related to Pensions	(5,537,629.00)
Deferred Inflows of Resources Related to Pensions	(11,240,104.00)
	<b>\$ (110,660,516.12)</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES</b>	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 817,577.15
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (143,617.72)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 549,093.85

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **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 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

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

**Blended Component Unit.** Although it is legally separate from the University, the University of North Florida Financing Corporation (Financing Corporation) is included within the University's 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. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards. The statutes authorize 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. In March 2010, the TSI Board of Directors met and approved the formation of UNF TSI Investments, LLC, as a wholly-owned Florida limited liability corporation.
- Museum of Contemporary Art Jacksonville, Inc. (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 of 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 report is 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 GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

The University's blended and discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

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

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

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

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

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

**Cash and Cash Equivalents.** Cash and cash equivalents consist of cash on hand, cash in demand accounts, and money market funds. 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. The University and its blended component unit, the Financing Corporation, hold \$2,096,174.99 in money market funds which are permissible under the University's investment policy and were rated AAAm/Aaa-mf by Standard & Poor's and Moody's Investors Service, respectively. 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, property under capital lease and leasehold improvements, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property and \$100,000 for new buildings and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 5 to 40 years
- Infrastructure and Other Improvements – 5 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 – 5 to 10 years
- Property Under Capital Lease and Leasehold Improvements – 5 to 15 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.

Capital assets of the University's discretely presented component units, if applicable, are recorded at cost. Donated items are stated at independent appraisal or estimated value at the date of donation. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets, as follows:

- Buildings – 25 to 35 years
- Leasehold Improvements – 5 to 20 years
- Furniture and Equipment – 3 to 10 years

Interest cost incurred on borrowed funds will be expensed as incurred for capital additions not related to construction.

**Noncurrent Liabilities.** Noncurrent liabilities include unearned revenue, bonds payable, capital improvement debt payable, loans and notes payable, compensated absences payable, other postemployment benefits payable, and net pension liability that are not scheduled to be paid within the next fiscal year. Bonds and capital improvement debt payable are reported net of unamortized premiums. The University amortizes debt premiums over the life of the debt using the straight-line method.

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

## **2. Deficit Net Position In Individual Funds**

The University reported an unrestricted net position, which included a deficit in the current funds – unrestricted as shown below. This deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, other postemployment benefits payable, and net pension liability) in the current unrestricted funds.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (26,884,846.93)
Auxiliary Funds	<u>18,557,375.28</u>
<b>Total</b>	<b><u>\$ (8,327,471.65)</u></b>

## **3. Investments**

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation methods inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The University's investments at June 30, 2016, are reported at fair value, as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 15,713,081.77	\$ -	\$ -	\$ 15,713,081.77
United States Treasury Securities	20,273,897.62	13,665,679.62	6,608,218.00	-
Obligations of United States Government				
Agencies and Instrumentalities	11,826,823.87	1,319,659.95	10,507,163.92	-
Bonds and Notes	41,353,152.91	17,865,482.39	23,487,670.52	-
<b>Total investments measured at the fair value</b>	<b>\$ 89,166,956.17</b>	<b>\$ 32,850,821.96</b>	<b>\$ 40,603,052.44</b>	<b>\$ 15,713,081.77</b>

### **External Investment Pools**

The University reported investments at fair value totaling \$15,713,081.77 at June 30, 2016, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.61 years and had a fair value factor of 1.0143 at June 30, 2016. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

### **Other Investments**

The University's other investments (which include those of its blended component unit, the Financing Corporation) consisted of various debt securities totaling \$73,453,874.40 at June 30, 2016. 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 5 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. Investment maturities at June 30, 2016, were as follows:

Investment Type	Investment Maturities (In Years)			
	Fair Value	Less Than 1	1 - 5	6 - 10
United States Treasury Securities	\$ 20,273,897.62	\$ 265,696.40	\$ 13,937,290.10	\$ 6,070,911.12
Obligations of United States Government				
Agencies and Instrumentalities	11,826,823.87	2,663,198.19	8,764,055.36	399,570.32
Bonds and Notes	41,353,152.91	4,717,046.97	33,053,212.24	3,582,893.70
<b>Total</b>	<b>\$ 73,453,874.40</b>	<b>\$ 7,645,941.56</b>	<b>\$ 55,754,557.70</b>	<b>\$ 10,053,375.14</b>

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. United States Treasury Securities 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, 2016, the University had \$20,273,897.62 of these investments. The University's investment policy 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, 2016, the University and the Financing Corporation had Obligations of United States Government Agencies and Instrumentalities and bonds and notes with quality ratings by nationally recognized rating agencies, as follows:

Investment Type	Fair Value	Credit Quality Rating (1)			
		AAA	AA	A	BBB+
Obligations of United States Government					
Agencies and Instrumentalities	\$ 11,826,823.87	\$ -	\$ 11,826,823.87	\$ -	\$ -
Bonds and Notes	41,353,152.91	1,837,116.04	11,510,689.01	27,820,051.41	185,296.45
<b>Total</b>	<b>\$ 53,179,976.78</b>	<b>\$ 1,837,116.04</b>	<b>\$ 23,337,512.88</b>	<b>\$ 27,820,051.41</b>	<b>\$ 185,296.45</b>

Note: (1) The credit quality ratings are from 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 5 percent of the Fund may be invested in securities of any single issuer, except that United States Government and Federal

Agencies 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 discretely presented component units are reported at fair value and consist of United States government and Federal agency securities, corporate bonds, various mutual funds holding domestic and foreign debt, equities, hedge funds, and private equity funds.

The Foundation reported investments totaling \$98,436,949. 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 and private equity 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 deflations, 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, 2016, the Foundation had 89 percent (\$87,589,707) of its total portfolio invested in global equities and fixed-income funds, private equity funds, and an absolute return fund. 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 years ended June 30, 2016, and June 30, 2015, and may be obtained from the Director, University of North Florida TSI/Foundation Accounting, Hicks Hall, Suite 2900, 1 UNF Drive, Jacksonville, Florida 32224-2648.

The TSI reported investments totaling \$233,780. The TSI's investment policy requires equity securities to be limited to investments in publicly traded securities on a major stock exchange or NASDAQ, with no more than 7 percent of the market value of an investment manager's equity portfolio invested in the shares of a single corporate issuer, and no more than 5 percent of the market value of the total equity portfolio invested in shares of companies that have been publicly traded for less than 1 year. For fixed income securities, the investment policy provides that securities be rated "A" or higher by Moody's Investors Service or Standard & Poor's rating services; no more than 10 percent of the market value of the total fixed income portfolio be invested in the securities of any single corporate issuer; no more than 20 percent of the market value of the total fixed income portfolio be invested in Collateralized Mortgage Obligations (CMOs) and are restricted to those issues that are currently paying interest, receiving principal pay-downs, and do not contain leverage; and no more than 25 percent of the total fixed income portfolio be invested in securities issued by foreign governments or corporations. There is no limit on investments in securities issued directly by the United States Government or any agency or instrumentality thereof. The 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. The TSI does not have a formal policy limiting the duration of mid-term and long-term investments.

MOCA reported investments totaling \$599,919. MOCA's investments consist of United States Treasury Securities.

On January 28, 1991, MOCA entered into a trust agreement with the State of Florida, Department of State, creating a \$600,000 fine arts endowment matching fund program. In managing the investments of the fine arts endowment fund, MOCA must comply with an established investment plan specified by the State of Florida, Department of State, which requires the preservation of the \$600,000 program fund. MOCA may expend funds generated from the endowment program fund only for operating costs incurred while engaged in programs directly related to fine arts activities. The balance of the endowment at June 30, 2016, was \$602,706, which is included in MOCA's investment total reported above, and in MOCA's restricted cash and cash equivalents.

The estimated fair value of the Foundation, TSI, and MOCA investments was based on valuations provided by external investment managers at June 30, 2016, and consisted of the following:

<u>Investment Type</u>	<u>Amount</u>
United States Government Bonds and Federal Agency Securities	\$ 4,857,458
Corporate Bonds	1,895,698
Fixed Income Mutual Funds	279,159
Equity Mutual Funds	1,207,809
Absolute Return Fund	14,064,530
Global Equities Fund	42,632,775
Global Fixed Income Fund	7,949,204
Hedge Funds	72,271
Private Equity Funds	22,943,198
Real Assets Fund	3,368,546
<b>Total Foundation, TSI, and MOCA Investments</b>	<b><u>\$ 99,270,648</u></b>

All of the University's discretely presented component units have provided additional information about fair value measurements which are based on the assumptions that market participants would use when pricing an asset or liability. A fair value hierarchy was established that prioritizes that information used to develop these assumptions.

The University's discretely presented component units' investments at June 30, 2016, are reported as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
United States Government Bonds and Federal Agency Securities	\$ 4,857,458	\$ 4,857,458	\$ -	\$ -
Corporate Bonds	1,895,698	1,895,698	-	-
Fixed Income Mutual Funds	279,159	279,159	-	-
Equity Mutual Funds	1,207,809	1,207,809	-	-
<b>Total</b>	<b>\$ 8,240,124</b>	<b>\$ 8,240,124</b>	<b>\$ -</b>	<b>\$ -</b>

The valuation method for investments measured at the net asset value per share, or its equivalent, is presented in the following table:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Notice Period (in Days)</u>	<u>Redemption Frequency (if Currently Eligible)</u>
Absolute Return Fund	\$ 14,064,530	\$ -	30 - 105	Quarterly, Semi-Annually, Annually, and Biennially
Global Equities Fund	42,632,775	-	5 - 92	Monthly and Quarterly
Global Fixed Income Fund	7,949,204	-	2 - 60	Daily and Monthly
Hedge Funds	72,271	-	90	Quarterly
Private Equity Funds	22,943,198	8,294,800	0	None, Semi-monthly, Monthly, and Quarterly
Real Assets Fund	3,368,546	-	5 - 60	Annually
<b>Total</b>	<b>\$ 91,030,524</b>	<b>\$ 8,294,800</b>		

*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, the TSI, and MOCA do not have formal investments 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, 2016, are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
<b>Foundation</b>				
United States Government and Federal Agencies	\$ 4,257,539	\$ 12,069	\$ 4,245,470	\$ -
Corporate Bonds	1,895,698	220,697	1,675,001	-
<b>Total</b>	<b>\$ 6,153,237</b>	<b>\$ 232,766</b>	<b>\$ 5,920,471</b>	<b>\$ -</b>
<b>TSI</b>				
Fixed-Income Mutual Funds	\$ 87,079	\$ -	\$ -	\$ 87,079

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation and MOCA have no formal investment policies on credit risk. The TSI's investment policy provides that fixed-income securities shall be rated "A" or higher by Moody's Investors

Service or Standard & Poor's rating services. At June 30, 2016, the credit quality ratings of the component units' investments are as follows:

Investment Type	Fair Value	Credit Quality Rating (1)				
		AAA	AA	A	BBB	Unrated
United States Government Bonds and Federal Agency Securities	\$ 599,919	\$ -	\$ -	\$ -	\$ -	\$ 599,919
Corporate Bonds	4,257,539	1,607,004	-	2,650,535	-	-
Fixed Income Mutual Funds	2,174,857	-	589,696	1,141,829	251,252	192,080
Equity Mutual Funds	1,207,809	-	-	-	-	1,207,809
Absolute Return Fund	14,064,530	-	-	-	-	14,064,530
Global Equities Fund	42,632,775	-	-	-	-	42,632,775
Global Fixed Income Fund	7,949,204	-	-	-	-	7,949,204
Hedge Funds	72,271	-	-	-	-	72,271
Private Equity Funds	22,943,198	-	-	-	-	22,943,198
Real Assets Fund	3,368,546	-	-	-	-	3,368,546.00
<b>Total Foundation, TSI, and MOCA Investments</b>	<b>\$ 99,270,648</b>	<b>\$ 1,607,004</b>	<b>\$ 589,696</b>	<b>\$ 3,792,364</b>	<b>\$ 251,252</b>	<b>\$ 93,030,332</b>

Note: (1) The credit quality ratings are from 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 University or its component units and are not registered in the University's or its component units' names. The Foundation, the TSI, and MOCA do not have formal investment policies that address 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 U.S. 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. The TSI's investment policy provides for investments in equity securities of not more than 7 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. MOCA does not have a formal investment policy that addresses concentration of credit risk.

**Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The TSI's investment policy limits its investments in fixed-income securities of foreign issuers to 25 percent of its fixed-income portfolio. The TSI does not have a formal investment policy that addresses foreign currency risk for other types of investments. The Foundation and MOCA do not have formal investment policies that address foreign currency risk.

#### 4. Receivables

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, student meal plans, contract and grant reimbursements due from third parties, student deferments, and other amounts due from students and third parties. As of June 30, 2016, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 4,297,695.99
Student Meal Plans	2,618,908.99
Other Auxiliary Enterprises	1,084,072.05
Student Housing Rentals	856,617.81
Due from Component Units	662,914.24
Contracts and Grants	631,507.45
Parking	231,582.56
Other	287,134.08
<b>Total Accounts Receivable</b>	<b>\$ 10,670,433.17</b>

**Allowance for Doubtful Receivables.** Allowances for doubtful accounts are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of \$190,114.92 at June 30, 2016.

No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

**Loan Receivable from Component Unit.** At June 30, 2016, the University had a loan receivable from MOCA, as shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
MOCA - Line of Credit	\$ 425,000	\$ -	\$ 50,000	\$ 375,000	\$ 50,000

In April 2009, the University's Board of Trustees authorized providing a revolving line of credit to MOCA for up to \$500,000, without interest except upon an event of default. On June 9, 2015, the University's Board of Trustees approved a repayment plan whereby MOCA is required to make annual payments of \$50,000 through June 2024.

**Component Units' Pledges Receivable, Net.** The Foundation accounts for 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 at estimated net realizable value, and reported in current and long-term portions, net of appropriate allowances and present value discounts of \$115,903.

## 5. Due From State

The amount due from State consists of \$18,724,085 of Public Education Capital Outlay and Capital Improvement Fee Trust Fund allocations due from the State for construction of University facilities.

## 6. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 20,929,295.83	\$ -	\$ -	\$ 20,929,295.83
Construction in Progress	6,753,241.26	6,932,916.79	9,247,916.86	4,438,241.19
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 27,682,537.09</b>	<b>\$ 6,932,916.79</b>	<b>\$ 9,247,916.86</b>	<b>\$ 25,367,537.02</b>
Depreciable Capital Assets:				
Buildings	\$ 565,063,548.82	\$ 6,734,500.64	\$ -	\$ 571,798,049.46
Infrastructure and Other Improvements	55,795,754.32	2,101,955.56	-	57,897,709.88
Furniture and Equipment	29,751,725.36	1,644,159.66	990,169.35	30,405,715.67
Library Resources	39,913,633.71	104,027.44	-	40,017,661.15
Property Under Capital Lease and Leasehold Improvements	1,281,179.88	431,200.66	-	1,712,380.54
Computer Software	9,775,634.03	246,631.96	-	10,022,265.99
<b>Total Depreciable Capital Assets</b>	<b>701,581,476.12</b>	<b>11,262,475.92</b>	<b>990,169.35</b>	<b>711,853,782.69</b>
Less, Accumulated Depreciation:				
Buildings	163,478,184.85	15,321,362.44	-	178,799,547.29
Infrastructure and Other Improvements	22,973,653.48	2,704,840.61	-	25,678,494.09
Furniture and Equipment	21,005,944.67	2,356,407.91	846,551.63	22,515,800.95
Library Resources	36,825,503.08	1,254,769.55	-	38,080,272.63
Property Under Capital Lease and Leasehold Improvements	130,067.24	62,515.50	-	192,582.74
Computer Software	8,459,595.59	451,185.26	-	8,910,780.85
<b>Total Accumulated Depreciation</b>	<b>252,872,948.91</b>	<b>22,151,081.27</b>	<b>846,551.63</b>	<b>274,177,478.55</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 448,708,527.21</b>	<b>\$ (10,888,605.35)</b>	<b>\$ 143,617.72</b>	<b>\$ 437,676,304.14</b>

Capital asset activity for the University's discretely presented component units for the fiscal year ended June 30, 2016, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 3,307,556	\$ -	\$ -	\$ 3,307,556
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 3,307,556</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,307,556</b>
Depreciable Capital Assets:				
Buildings	\$ 14,100,634	\$ -	\$ -	\$ 14,100,634
Leasehold Improvements	5,951,106	-	-	5,951,106
Furniture and Equipment	526,374	700,000	-	1,226,374
<b>Total Depreciable Capital Assets</b>	<b>20,578,114</b>	<b>700,000</b>	<b>-</b>	<b>21,278,114</b>
Less, Accumulated Depreciation:				
Buildings	2,914,129	564,025	-	3,478,154
Leasehold Improvements	3,578,760	300,718	-	3,879,478
Furniture and Equipment	520,983	48,957	-	569,940
<b>Total Accumulated Depreciation</b>	<b>7,013,872</b>	<b>913,700</b>	<b>-</b>	<b>7,927,572</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 13,564,242</b>	<b>\$ (213,700)</b>	<b>\$ -</b>	<b>\$ 13,350,542</b>

## 7. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2016, include unearned revenue, bonds payable, capital improvement debt payable, loans and notes payable, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Unearned Revenue	\$ 4,674,933.45	\$ -	\$ 825,040.95	\$ 3,849,892.50	\$ 688,500.00
Bonds Payable	127,234,295.56	-	4,297,240.68	122,937,054.88	4,355,000.00
Capital Improvement Debt Payable	13,982,490.92	-	459,368.20	13,523,122.72	460,000.00
Loans and Notes Payable	29,055,964.50	-	1,388,997.80	27,666,966.70	1,373,922.50
Capital Lease Payable	17,648.07	-	17,648.07	-	-
Compensated Absences Payable	14,921,023.67	1,997,884.62	1,566,025.62	15,352,882.67	1,381,759.44
Other Postemployment Benefits Payable	28,992,000.00	8,400,000.00	1,195,000.00	36,197,000.00	-
Net Pension Liability	24,390,909.00	16,459,035.00	483,175.00	40,366,769.00	634,698.00
<b>Total Long-Term Liabilities</b>	<b>\$ 243,269,265.17</b>	<b>\$ 26,856,919.62</b>	<b>\$ 10,232,496.32</b>	<b>\$ 259,893,688.47</b>	<b>\$ 8,893,879.94</b>

Note: (1) The total beginning balance reported above differs from the June 30, 2015, ending balance of \$238,594,331.72 by \$4,674,933.45 because the financial arrangements providing long-term unearned revenue to be recognized as earnings over multiple fiscal years was not previously reported in this disclosure.

**Unearned Revenue.** Long-term unearned revenue includes funds received prior to fiscal year-end for which the earnings process will be completed in subsequent accounting periods. As of June 30, 2016, the University reported unearned revenue of \$3,849,892.50, of which \$3,600,000 pertains to funding received under the terms of an agreement with the University's contracted food service provider towards construction of a new dining facility. The agreement provides that as long as the food service provider enjoys full access to and use of the dining facility through June 30, 2022, the University can amortize the funds and recognize revenue over the 10-year period beginning July 1, 2012 (\$600,000 per year). However, the University is required to repay the unamortized portion of these funds to the food service provider if the agreement is not renewed or is terminated prior to June 30, 2022.

**Bonds Payable.** The University had the following bonds payable outstanding at June 30, 2016:

Bond Type and Series	Amount of Original Debt	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Capital Improvement Revenue Bonds:				
Student Union Project, Series 2007	\$ 21,235,000.00	\$ 18,370,000.00	4.125 - 5.000	11-01-2037
Housing Project, Series 2007	111,185,000.00	95,895,000.00	5.00	11-01-2037
Parking System, Series 1998, Remarketed	9,600,000.00	6,000,000.00	(1)	05-01-2028
<b>Total Capital Improvement Revenue Bonds</b>	142,020,000.00	120,265,000.00		
Add: Unamortized Bond Premiums	-	2,672,054.88		
<b>Total Capital Improvement Revenue Bonds Payable</b>	<b>\$ 142,020,000.00</b>	<b>\$ 122,937,054.88</b>		

Note: (1) The Parking System, Series 1998, Remarketed Bonds have a variable interest rate, which was 0.361333 percent as of June 30, 2016.

During the 2006-07 fiscal year, Student Union Project and Student Housing Project bonds were issued by the 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 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 Agreements, the University leased the land and facilities to the Financing Corporation in exchange for prepaid rent of \$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 canceled. 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. As principal payments are made on the Student Housing and Student Union Projects bonds, the prepaid rent is amortized and, as shown in Note 14., the University reported remaining prepaid rent payable to the Financing Corporation of \$73,270,765.65 at June 30, 2016.

The Financing Corporation and the bond trustee executed a supplemental trust indenture agreement dated June 1, 2015, that provided for a reserve product (insurance policy) guaranteeing the timely payment of debt service on the Capital Improvement Revenue Bonds, Series 2007, Housing and Student Union Projects. In addition, the supplemental trust agreement required that the Financing Corporation provide a cash reserve of \$2,643,000 related to the Housing bonds. At June 30, 2016, \$4,092,154.50, including interest earnings, is reported for the Housing (\$2,686,021.34) and Student Union (\$1,406,133.16) Capital Improvement Revenue Bonds as noncurrent restricted cash and cash equivalents and investments and net assets restricted for debt service on the University's statement of net position.

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 0.361333 percent at June 30, 2016. Interest payments are made monthly and principal is payable annually through May 1, 2028.

Annual requirements to amortize all bonds payable outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 4,355,000.00	\$ 5,626,086.24	\$ 9,981,086.24
2018	4,550,000.00	5,430,942.08	9,980,942.08
2019	4,750,000.00	5,225,772.91	9,975,772.91
2020	4,965,000.00	5,009,088.12	9,974,088.12
2021	5,200,000.00	4,779,203.32	9,979,203.32
2022-2026	28,640,000.00	20,031,416.64	48,671,416.64
2027-2031	27,185,000.00	13,471,795.00	40,656,795.00
2032-2036	27,535,000.00	6,850,625.00	34,385,625.00
2037-2038	13,085,000.00	662,375.00	13,747,375.00
<b>Subtotal</b>	120,265,000.00	67,087,304.31	187,352,304.31
Add: Unamortized Bond Premiums	2,672,054.88	-	2,672,054.88
<b>Total</b>	<b>\$ 122,937,054.88</b>	<b>\$ 67,087,304.31</b>	<b>\$ 190,024,359.19</b>

**Capital Improvement Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2016:

<u>Capital Improvement Debt Type and Series</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding (1)</u>	<u>Interest Rates (Percent) (2)</u>	<u>Maturity Date To</u>
Capital Improvement Debt				
2010A - Student Wellness Center	\$ 2,575,000.00	\$ 463,122.72	3.00	11-01-2016
2010B - Student Wellness Center	13,060,000.00	13,060,000.00	4.00 - 7.50	11-01-2035
<b>Total Student Housing Debt</b>	<u>15,635,000.00</u>	<u>13,523,122.72</u>		
<b>Total Capital Improvement Debt</b>	<u>\$ 15,635,000.00</u>	<u>\$ 13,523,122.72</u>		

Notes: (1) Amount outstanding includes unamortized premiums.

(2) Interest payments on the Series 2010A Bonds are tax-exempt to the bondholders, while interest payments on the 2010B Bonds are taxable.

On December 30, 2010, the Board of Governors issued \$15,635,000 of University of North Florida Mandatory Student Fee Revenue Bonds (\$13,060,000 Series 2010B Build America Bonds and \$2,575,000 Series 2010A Tax-Exempt Bonds) to finance the construction of a Student Wellness Center on campus and to pay costs of issuance.

The University has pledged a portion of future Student Wellness Center fees to repay \$13,523,122.72 in capital improvement bonds issued by the Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct the Student Wellness Center. The bonds are payable solely from Student Wellness Center fee assessments and are payable through November 1, 2035. The University has committed to appropriate each year from the Student Wellness Center fee assessment amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$24,314,722.72, and principal and interest paid for the current year totaled \$1,327,600. During the 2015-16 fiscal year, Student Wellness Center fee assessments totaled \$1,130,219.37, while interest subsidies received for the bonds totaled \$280,194.37.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 460,000.00	\$ 866,200.00	\$ 1,326,200.00
2018	475,000.00	849,800.00	1,324,800.00
2019	490,000.00	829,275.00	1,319,275.00
2020	505,000.00	805,625.00	1,310,625.00
2021	520,000.00	779,350.00	1,299,350.00
2022-2026	2,915,000.00	3,417,956.25	6,332,956.25
2027-2031	3,600,000.00	2,357,362.50	5,957,362.50
2032-2036	4,555,000.00	886,031.25	5,441,031.25
<b>Subtotal</b>	13,520,000.00	10,791,600.00	24,311,600.00
Add: Unamortized Bond Premiums	3,122.72	-	3,122.72
<b>Total</b>	<b>\$ 13,523,122.72</b>	<b>\$ 10,791,600.00</b>	<b>\$ 24,314,722.72</b>

**Loans and Notes Payable.** In November 2013, the Financing Corporation purchased a 67,224 square foot warehouse on a parcel of land adjacent to the University and entered into a loan agreement for \$2,794,915 with a fixed interest rate of 2.32 percent. Principal and interest payments of \$25,505.82 are made monthly over the 10-year term of the note.

In October 2014, the Financing Corporation purchased an apartment complex on a 12.82 acre site adjacent to the University to be used for student housing (The Flats at Kernan) for \$30.7 million and entered into a loan agreement for \$26,200,000 with a fixed interest rate of 2.87 percent. Principal and interest payments of \$143,605.46 are made monthly over the 20-year term of the note.

In December 2014, the Financing Corporation entered into a loan agreement with the UNF Foundation for funds to improve and renovate the warehouse located adjacent to the University for \$1,200,000 with a fixed interest rate of 3 percent. Principal and interest payments of \$34,848.85 are made quarterly over the 10-year term of the note.

The Financing Corporation had the following loans and notes payable outstanding at June 30, 2016:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Warehouse Acquisition	\$ 2,334,787.71	\$ -	\$ 253,729.65	\$ 2,081,058.06	\$ 259,903.16
The Flats at Kernan	25,547,003.12	-	1,003,194.40	24,543,808.72	1,032,367.86
Warehouse Improvements and Renovations	1,174,173.67	-	132,073.75	1,042,099.92	81,651.48
<b>Total</b>	<b>\$ 29,055,964.50</b>	<b>\$ -</b>	<b>\$ 1,388,997.80</b>	<b>\$ 27,666,966.70</b>	<b>\$ 1,373,922.50</b>

Annual requirements to amortize the outstanding loans and notes as of June 30, 2016, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 1,373,922.50	\$ 759,959.41	\$ 2,133,881.91
2018	1,440,235.12	728,495.64	2,168,730.76
2019	1,480,856.16	687,874.60	2,168,730.76
2020	1,522,558.24	646,172.52	2,168,730.76
2021	1,565,586.14	603,144.62	2,168,730.76
2022-2026	7,524,949.02	2,353,768.93	9,878,717.95
2027-2031	7,287,083.23	1,329,244.37	8,616,327.60
2032-2035	5,471,776.29	272,441.58	5,744,217.87
<b>Total</b>	<b>\$ 27,666,966.70</b>	<b>\$ 7,381,101.67</b>	<b>\$ 35,048,068.37</b>

**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2016, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$15,352,882.67. The current portion of the compensated absences liability, \$1,381,759.44, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last 3 fiscal years calculated as a percentage of those 3 years' total compensated absences liability.

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

*Plan Description.* Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined benefit plan (OPEB Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB 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 OPEB Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the OPEB Plan information is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the OPEB Plan each year on a pay-as-you-go basis are established by the

Governor's recommended budget and the General Appropriations Act. For the 2015-16 fiscal year, 244 retirees received postemployment healthcare benefits. The University provided required contributions of \$1,195,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,714,000, which represents 1.6 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 4,691,000
Amortization of Unfunded Actuarial Accrued Liability	3,300,000
Interest on Normal Cost and Amortization	320,000
<b>Annual Required Contribution</b>	8,311,000
Interest on Net OPEB Obligation	1,160,000
Adjustment to Annual Required Contribution	(1,071,000)
<b>Annual OPEB Cost (Expense)</b>	8,400,000
Contribution Toward the OPEB Cost	(1,195,000)
<b>Increase in Net OPEB Obligation</b>	7,205,000
Net OPEB Obligation, Beginning of Year	28,992,000
<b>Net OPEB Obligation, End of Year</b>	<u>\$ 36,197,000</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and for the 2 preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013-14	\$ 5,882,000	10.9%	\$ 24,193,000
2014-15	5,389,000	10.9%	28,992,000
2015-16	8,400,000	14.2%	36,197,000

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$89,307,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$89,307,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$109,428,082.83 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 81.6 percent.

Actuarial valuations for an OPEB 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. Actuarially determined amounts regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of OPEB 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 OPEB 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The University's OPEB actuarial valuation as of July 1, 2015, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2016, and the University's 2015-16 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 3.1 percent, 7.5 percent, and 8.8 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3 percent, 5.7 percent, and 7 percent, respectively, for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 3.9 percent over 60 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 21 years.

**Net Pension Liability.** As a participating employer in the Florida Retirement System, the University recognized its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2016, the University's proportionate share of the net pension liabilities totaled \$40,366,769. Note 8. includes a complete discussion of defined benefit pension plans.

**Component Units – Loans and Notes Payable.** On May 20, 2010, the TSI purchased a building and 7.71 acres of land adjacent to the University for \$17,408,190. The TSI executed three loan and note agreements totaling \$17,279,294 on May 20, 2010, through its financing corporation, UNF TSI Investments, LLC. A summary of the long-term debt activity associated with the purchase is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bank Note Payable in Monthly Installments of Principal and Interest at 8.3 Percent	\$ 8,378,772	\$ -	\$ 1,213,054	\$ 7,165,718	\$ 1,375,802
Loan Payable to Foundation Payable in Full or in Part Prior to Maturity on May 20, 2021, at 4.5 Percent (1)	4,800,000	-	-	4,800,000	-
<b>Total Long-Term Liabilities</b>	<b>\$ 13,178,772</b>	<b>\$ -</b>	<b>\$ 1,213,054</b>	<b>\$ 11,965,718</b>	<b>\$ 1,375,802</b>

Note: (1) Pursuant to a Memorandum of Understanding entered into between TSI, UNF TSI Investments, LLC, and the University of North Florida Foundation, Inc., total loan funding to UNF TSI Investments, LLC, from the Foundation will not exceed \$4.8 million and TSI will be restricted from making any additional loans or otherwise pledging, collateralizing, or encumbering the property purchased or funding any capital projects as long as any portion of the loan remains unpaid.

Total future scheduled debt principal payments on the note and loan payable are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>
2017	\$ 1,375,802
2018	1,554,328
2019	1,750,047
2020	1,964,493
2021	5,321,048
<b>Total</b>	<b>\$ 11,965,718</b>

Loans and notes payable at June 30, 2016, for the Foundation and MOCA are as follows:

<u>Description</u>	<u>Current</u>	<u>Noncurrent</u>
Foundation:		
Noninterest bearing note (\$700,000) from vendor for scoreboard maturing September 2018	\$ 137,500	\$ 260,500
MOCA:		
Noninterest bearing revolving line of credit (\$500,000) from University (see Note 4.)	50,000	325,000
<b>Total</b>	<b>\$ 187,500</b>	<b>\$ 585,500</b>

## 8. Retirement Plans – Defined Benefit Pension Plans

### General Information about the Florida Retirement System (FRS)

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

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The University's FRS and HIS pension expense totaled \$4,476,743 for the fiscal year ended June 30, 2016.

### **FRS Pension Plan**

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.26
FRS, Senior Management Service	3.00	21.43
FRS, Special Risk	3.00	22.04
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled \$4,379,790 for the fiscal year ended June 30, 2016.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2016, the University reported a liability of \$23,073,893 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportionate share was .178641093 percent, which was an increase of .014779191 from its proportionate share measured as of June 30, 2014.

For the year ended June 30, 2016, the University recognized pension expense of \$2,963,707. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,435,920	\$ 547,242
Change of assumptions	1,531,492	-
Net difference between projected and actual earnings on FRS Plan investments	-	5,509,660
Changes in proportion and differences between University contributions and proportionate share of contributions	6,016,417	-
University FRS contributions subsequent to the measurement date	4,379,790	-
<b>Total</b>	<b>\$ 14,363,619</b>	<b>\$ 6,056,902</b>

The deferred outflows of resources related to pensions totaling \$4,379,790, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (511,266)
2018	(511,266)
2019	(511,266)
2020	4,034,375
2021	1,178,676
Thereafter	247,674
<b>Total</b>	<b>\$ 3,926,927</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
<b>Total</b>	<b>100%</b>			
Assumed inflation - Mean		2.6%		1.9%

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

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

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

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
University's proportionate share of the net pension liability	\$ 59,789,675	\$ 23,073,893	\$(7,479,669)

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

*Payables to the Pension Plan.* At June 30, 2016, the University reported a payable of \$468,581.57 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2016.

### **HIS Pension Plan**

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

*Benefits Provided.* For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$898,825 for the fiscal year ended June 30, 2016.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.* At June 30, 2016, the University reported a liability of \$17,292,876 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of

benefit payments expected to be paid within one year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportionate share was 0.169564152 percent, which was an increase of 0.015633165 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the University recognized pension expense of \$1,513,036. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 1,360,498
Net difference between projected and actual earnings on HIS Plan investments	9,361
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,364,236
University HIS contributions subsequent to the measurement date	898,825
<b>Total</b>	<b>\$ 3,632,920</b>

The deferred outflows of resources totaling \$898,825 resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 461,647
2018	461,647
2019	461,647
2020	459,744
2021	458,831
Thereafter	430,579
<b>Total</b>	<b>\$ 2,734,095</b>

*Actuarial Assumptions.* The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 percent

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

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

*Discount Rate.* The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 4.29 percent from the prior measurement date.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	<b>1% Decrease (2.80%)</b>	<b>Current Discount Rate (3.80%)</b>	<b>1% Increase (4.80%)</b>
University's proportionate share of the net pension liability	\$ 19,704,427	\$ 17,292,876	\$ 15,282,004

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

*Payables to the Pension Plan.* At June 30, 2016, the University reported a payable of \$119,352.73 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

## **9. Retirement Plans – Defined Contribution Pension Plans**

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the

same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's Investment Plan pension expense totaled \$1,158,762.56 for the fiscal year ended June 30, 2016.

**State University System Optional Retirement Program.** Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.65 percent to cover the

unfunded actuarial liability of the FRS pension plan, 0.01 percent to cover administrative costs, for a total of 7.8 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$4,084,546.82 and employee contributions totaled \$2,581,087.44 for the 2015-16 fiscal year.

## 10. Construction Commitments

The University's construction commitments at June 30, 2016, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Skinner Jones Hall Renovation	\$ 18,750,000.00	\$ 2,473,294.36	\$ 16,276,705.64
Competition Pool	1,797,356.27	246,050.18	1,551,306.09
<b>Subtotal</b>	<b>20,547,356.27</b>	<b>2,719,344.54</b>	<b>17,828,011.73</b>
Other Projects (1)	4,018,059.03	1,718,896.65	2,299,162.38
<b>Total</b>	<b>\$ 24,565,415.30</b>	<b>\$ 4,438,241.19</b>	<b>\$ 20,127,174.11</b>

Note: (1) Individual projects with current balance committed of less than \$1 million at June 30, 2016.

## 11. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2015-16 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$54 million for named windstorm and flood losses through February 14, 2016, and increased to \$85 million starting February 15, 2016. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

## 12. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 90,498,993.79
Research	5,047,520.50
Public Services	5,738,799.20
Academic Support	25,885,820.89
Student Services	20,328,617.52
Institutional Support	24,967,487.11
Operation and Maintenance of Plant	17,947,361.10
Scholarships, Fellowships, and Waivers	16,110,356.97
Depreciation	22,151,081.27
Auxiliary Enterprises	34,677,925.23
<b>Total Operating Expenses</b>	<b>\$ 263,353,963.58</b>

## 13. 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 of resources are required to be accounted for separately. The following financial information for the University's Parking System, Housing System, Student Union, Student Wellness Center, and The Flats at Kernan represents identifiable activities for which one or more bonds are outstanding:

### Condensed Statement of Net Position

	Parking System	Housing System	Student Union	Student Wellness Center	The Flats At Kernan
<b>Assets</b>					
Current Assets	\$ 5,395,901.27	\$ 2,746,787.29	\$ 714,090.34	\$ 1,388,937.78	\$ 1,834,859.29
Capital Assets, Net	15,070,957.65	100,124,175.80	41,600,814.65	18,033,416.56	28,881,041.89
Other Noncurrent Assets	780,287.36	2,687,021.34	1,406,133.16	140,151.50	803,463.60
<b>Total Assets</b>	<b>21,247,146.28</b>	<b>105,557,984.43</b>	<b>43,721,038.15</b>	<b>19,562,505.84</b>	<b>31,519,364.78</b>
<b>Liabilities</b>					
Current Liabilities	558,881.07	4,947,068.95	650,056.77	603,452.72	1,121,182.40
Noncurrent Liabilities	5,553,181.10	95,086,006.27	18,147,301.63	13,066,864.14	23,532,717.32
<b>Total Liabilities</b>	<b>6,112,062.17</b>	<b>100,033,075.22</b>	<b>18,797,358.40</b>	<b>13,670,316.86</b>	<b>24,653,899.72</b>
<b>Net Position</b>					
Net Investment in Capital Assets	9,070,957.65	1,814,422.55	22,973,513.02	4,510,293.84	4,337,233.17
Restricted for Debt Service	-	2,687,021.34	1,406,133.16	140,151.50	803,463.60
Unrestricted	6,064,126.46	1,023,465.32	544,033.57	1,241,743.64	1,724,768.29
<b>Total Net Position</b>	<b>\$ 15,135,084.11</b>	<b>\$ 5,524,909.21</b>	<b>\$ 24,923,679.75</b>	<b>\$ 5,892,188.98</b>	<b>\$ 6,865,465.06</b>

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

	Parking System	Housing System	Student Union	Student Wellness Center	The Flats At Kernan
Operating Revenues	\$ 3,218,477.45	\$ 18,338,243.30	\$ 1,629,937.62	\$ 1,253,311.95	\$ 3,886,504.68
Depreciation Expense	(860,417.80)	(4,028,116.23)	(1,332,951.53)	(583,056.88)	(644,060.64)
Other Operating Expenses	(1,313,844.15)	(8,921,567.20)	(498,728.16)	(158,275.49)	(1,580,024.59)
<b>Operating Income (Loss)</b>	<b>1,044,215.50</b>	<b>5,388,559.87</b>	<b>(201,742.07)</b>	<b>511,979.58</b>	<b>1,662,419.45</b>
Nonoperating Revenues (Expenses):					
Nonoperating Revenue	-	511,163.95	599,730.83	310,550.07	-
Interest Expense	(5,679.00)	(4,760,011.80)	(901,166.28)	(869,583.80)	(720,071.12)
Other Nonoperating Expense	(203,971.57)	(126,795.30)	(54,568.37)	(30,145.03)	-
<b>Net Nonoperating Expenses</b>	<b>(209,650.57)</b>	<b>(4,375,643.15)</b>	<b>(356,003.82)</b>	<b>(589,178.76)</b>	<b>(720,071.12)</b>
<b>Increase (Decrease) in Net Position</b>	<b>834,564.93</b>	<b>1,012,916.72</b>	<b>(557,745.89)</b>	<b>(77,199.18)</b>	<b>942,348.33</b>
Net Position, Beginning of Year	14,300,519.18	4,511,992.49	25,481,425.64	5,969,388.16	5,923,116.73
<b>Net Position, End of Year</b>	<b>\$ 15,135,084.11</b>	<b>\$ 5,524,909.21</b>	<b>\$ 24,923,679.75</b>	<b>\$ 5,892,188.98</b>	<b>\$ 6,865,465.06</b>

## Condensed Statement of Cash Flows

	Parking System	Housing System	Student Union	Student Wellness Center	The Flats At Kernan
Net Cash Provided (Used) by:					
Operating Activities	\$ 1,429,602.58	\$ 9,397,798.92	\$ 1,106,242.15	\$ 1,084,133.42	\$ 2,226,415.62
Noncapital Financing Activities	602,533.31	111,696.13	240,443.16	(30,145.03)	(1,055,618.32)
Capital and Related Financing Activities	(943,254.78)	(8,119,157.63)	(1,361,166.28)	(1,048,757.63)	(720,071.12)
Investing Activities	(983,984.45)	(1,319,390.65)	25,037.22	13,817.82	(392,347.27)
<b>Net Increase in Cash and Cash Equivalents</b>	104,896.66	70,946.77	10,556.25	19,048.58	58,378.91
Cash and Cash Equivalents, Beginning of Year	120,475.99	13,645.14	11,753.48	30,468.76	801,905.11
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 225,372.65</u>	<u>\$ 84,591.91</u>	<u>\$ 22,309.73</u>	<u>\$ 49,517.34</u>	<u>\$ 860,284.02</u>

**Segment Information – Component Unit.** The following financial information for the UNF TSI Investments, LLC, represents identifiable activities for which long-term indebtedness is outstanding and with a revenue stream pledged in support of the debt.

## Condensed Statement of Net Position

	<b>UNF TSI Investment, LLC</b>
<b>Assets</b>	
Current Assets	\$ 104,425
Capital Assets, Net	13,930,036
<b>Total Assets</b>	<u>14,034,461</u>
<b>Liabilities</b>	
Current Liabilities	2,379,498
Noncurrent Liabilities	10,589,916
<b>Total Liabilities</b>	<u>12,969,414</u>
<b>Net Position</b>	
Net Investment in Capital Assets	1,964,316
Unrestricted	(899,269)
<b>Total Net Position</b>	<u>\$ 1,065,047</u>

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

	<b>UNF TSI Investments, LLC</b>
Operating Revenues	\$ 1,931,751
Depreciation Expense	(564,025)
Other Operating Expenses	(2,500)
<b>Operating Income</b>	<b>1,365,226</b>
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	53,851
Interest Expense	(861,403)
<b>Net Nonoperating Expenses</b>	<b>(807,552)</b>
<b>Increase in Net Position</b>	<b>557,674</b>
Net Position, Beginning of Year	507,373
<b>Net Position, End of Year</b>	<b>\$ 1,065,047</b>

**Condensed Statement of Cash Flows**

	<b>UNF TSI Investments, LLC</b>
Net Cash Provided (Used) by:	
Noncapital Financing Activities	\$ 216,589
Capital and Related Financing Activities	(216,589)
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-</b>
Cash and Cash Equivalents, Beginning of Year	-
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ -</b>

UNF TSI Investments, LLC, records revenue for payments made by the tenant under an operating lease with an expiration date in 2020, and future minimum rents as of June 30, 2016, totaled \$8,569,574.

**14. Blended Component Unit**

The University has one blended component unit as discussed in Note 1. The following financial information is presented net of eliminations for the University's blended component unit:

## Condensed Statement of Net Position

	UNF Financing Corporation, Inc.	University	Eliminations	Total Primary Government
<b>Assets:</b>				
Prepaid Rent Receivable from University	\$ 73,270,765.65	\$ -	\$ (73,270,765.65)	\$ -
Note Receivable from Blended CU	-	3,987,134.06	(3,987,134.06)	-
Other Current Assets	1,190,380.45	114,874,688.49	(1,011,784.75)	115,053,284.19
Capital Assets, Net	34,579,819.19	428,464,021.97	-	463,043,841.16
Other Noncurrent Assets	4,896,618.10	2,755,009.41	-	7,651,627.51
<b>Total Assets</b>	<b>113,937,583.39</b>	<b>550,080,853.93</b>	<b>(78,269,684.46)</b>	<b>585,748,752.86</b>
<b>Deferred Outflows of Resources</b>	<b>-</b>	<b>17,996,539.00</b>	<b>-</b>	<b>17,996,539.00</b>
<b>Liabilities:</b>				
Prepaid Rent Payable to Blended CU	-	73,270,765.65	(73,270,765.65)	-
Note Payable to University	3,987,134.06	-	(3,987,134.06)	-
Other Current Liabilities	6,705,360.28	22,820,229.08	(1,011,784.75)	28,513,804.61
Noncurrent Liabilities	144,910,446.05	106,089,362.48	-	250,999,808.53
<b>Total Liabilities</b>	<b>155,602,940.39</b>	<b>202,180,357.21</b>	<b>(78,269,684.46)</b>	<b>279,513,613.14</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>6,056,902.00</b>	<b>-</b>	<b>6,056,902.00</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	6,912,853.00	292,003,843.86	-	298,916,696.86
Restricted - Expendable	-	27,585,551.51	-	27,585,551.51
Unrestricted	(48,578,210.00)	40,250,738.35	-	(8,327,471.65)
<b>Total Net Position</b>	<b>\$ (41,665,357.00)</b>	<b>\$ 359,840,133.72</b>	<b>\$ -</b>	<b>\$ 318,174,776.72</b>

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

	UNF Financing Corporation, Inc.	University	Eliminations	Total Primary Government
Operating Revenues	\$ 12,234,424.02	\$ 123,540,341.15	\$ (12,234,424.02)	\$ 123,540,341.15
Depreciation Expense	(860,828.63)	(21,290,252.64)	-	(22,151,081.27)
Other Operating Expenses	(10,033,699.05)	(234,603,750.42)	3,434,567.16	(241,202,882.31)
<b>Operating Income (Loss)</b>	<b>1,339,896.34</b>	<b>(132,353,661.91)</b>	<b>(8,799,856.86)</b>	<b>(139,813,622.43)</b>
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	59,890.62	142,796,832.50	(3,434,567.16)	139,422,155.96
Interest Expense	-	(7,342,128.94)	-	(7,342,128.94)
Other Nonoperating Expense	-	(15,654,356.22)	12,234,424.02	(3,419,932.20)
<b>Net Nonoperating Revenues</b>	<b>59,890.62</b>	<b>119,800,347.34</b>	<b>8,799,856.86</b>	<b>128,660,094.82</b>
Other Revenues	-	6,617,974.71	-	6,617,974.71
<b>Increase (Decrease) in Net Position</b>	<b>1,399,786.96</b>	<b>(5,935,339.86)</b>	<b>-</b>	<b>(4,535,552.90)</b>
Net Position, Beginning of Year	(43,065,143.96)	365,775,473.58	-	322,710,329.62
<b>Net Position, End of Year</b>	<b>\$ (41,665,357.00)</b>	<b>\$ 359,840,133.72</b>	<b>\$ -</b>	<b>\$ 318,174,776.72</b>

## Condensed Statement of Cash Flows

	UNF Financing Corporation, Inc.	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	\$ (39,047.00)	\$ (119,421,325.98)	\$ 8,799,856.86	\$ (110,660,516.12)
Noncapital Financing Activities	-	146,206,538.33	(8,799,856.86)	137,406,681.47
Capital and Related Financing Activities	(5,593,721.00)	(10,975,657.95)	-	(16,569,378.95)
Investing Activities	5,577,898.00	(14,124,367.18)	-	(8,546,469.18)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(54,870.00)	1,685,187.22	-	1,630,317.22
Cash and Cash Equivalents, Beginning of Year	1,068,565.34	819,715.87	-	1,888,281.21
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,013,695.34</b>	<b>\$ 2,504,903.09</b>	<b>\$ -</b>	<b>\$ 3,518,598.43</b>

## 15. Discretely Presented Component Units

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

### Condensed Statement of Net Position

	Direct-Support Organizations			Eliminations (1)	Total
	University of North Florida Foundation, Inc.	The University of North Florida Training and Service Institute, Inc.	Museum of Contemporary Art Jacksonville, Inc.		
<b>Assets:</b>					
Current Assets	\$ 1,144,040	\$ 1,056,866	\$ 150,069	\$ -	\$ 2,350,975
Capital Assets, Net	653,333	13,930,036	2,074,729	-	16,658,098
Other Noncurrent Assets	113,325,060	800,186	5,495,943	(4,501,092)	115,120,097
<b>Total Assets</b>	115,122,433	15,787,088	7,720,741	(4,501,092)	134,129,170
<b>Liabilities:</b>					
Current Liabilities	433,071	3,437,198	350,026	-	4,220,295
Noncurrent Liabilities	269,636	10,921,606	325,000	-	11,516,242
<b>Total Liabilities</b>	702,707	14,358,804	675,026	-	15,736,537
<b>Net Position:</b>					
Net Investment in Capital Assets	255,333	1,964,316	2,074,729	-	4,294,378
Restricted Nonexpendable	96,744,241	-	5,143,292	(4,501,092)	97,386,441
Restricted Expendable	16,067,231	-	352,651	-	16,419,882
Unrestricted	1,352,921	(536,032)	(524,957)	-	291,932
<b>Total Net Position</b>	<b>\$ 114,419,726</b>	<b>\$ 1,428,284</b>	<b>\$ 7,045,715</b>	<b>\$ (4,501,092)</b>	<b>\$ 118,392,633</b>

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

	Direct-Support Organizations				Eliminations (1)	Total
	University of North Florida Foundation, Inc.	The University of North Florida Training and Service Institute, Inc.	Museum of Contemporary Art Jacksonville, Inc.			
Operating Revenues	\$ 7,072,079	\$ 10,599,354	\$ 2,102,517	\$ -	\$ -	\$ 19,773,950
Depreciation Expense	(46,667)	(564,025)	(301,673)	-	-	(912,365)
Operating Expenses	(10,791,678)	(8,703,857)	(2,087,119)	-	-	(21,582,654)
<b>Operating Income (Loss)</b>	<b>(3,766,266)</b>	<b>1,331,472</b>	<b>(286,275)</b>	<b>-</b>	<b>-</b>	<b>(2,721,069)</b>
Net Nonoperating Revenues (Expenses):						
Investment Income (Loss)	(1,228,496)	801	2,477,454	(2,495,916)	-	(1,246,157)
Interest Expense	-	(861,403)	-	-	-	(861,403)
Other Nonoperating Expenses	(371,561)	-	(75,000)	-	-	(446,561)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(1,600,057)</b>	<b>(860,602)</b>	<b>2,402,454</b>	<b>(2,495,916)</b>	<b>-</b>	<b>(2,554,121)</b>
Other Revenues	5,485,426	-	-	-	-	5,485,426
<b>Increase (Decrease) in Net Position</b>	<b>119,103</b>	<b>470,870</b>	<b>2,116,179</b>	<b>(2,495,916)</b>	<b>-</b>	<b>210,236</b>
Net Position, Beginning of Year	114,300,623	957,414	4,929,536	(2,005,176)	-	118,182,397
<b>Net Position, End of Year</b>	<b>\$ 114,419,726</b>	<b>\$ 1,428,284</b>	<b>\$ 7,045,715</b>	<b>\$ (4,501,092)</b>	<b>\$ -</b>	<b>\$ 118,392,633</b>

Note: (1) On January 21, 2015, a donor entered into an agreement with the Foundation to make an endowment contribution to the Foundation to provide unrestricted operational support to the Museum of Contemporary Art Jacksonville, Inc. (MOCA), another direct-support organization of the University. MOCA reported a revenue of \$2,495,916 and an economic interest (asset) in the endowment contribution held and managed by the Foundation at June 30, 2016, and had previously reported revenue of \$2,005,176 at June 30, 2015, which was included in beginning net position, for a total endowment contribution of \$4,501,092 at June 30, 2016. However, because the Foundation serves as the investment manager for the MOCA endowment contribution, the \$4,501,092 is included in the Foundation's pooled investments (noncurrent assets) and is included in ending net position. To correctly present the combined discretely presented component units, these amounts were eliminated from the combined (total) column in the Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position.

### 16. Subsequent Events

On August 23, 2016, the Financing Corporation issued \$17,920,000 of Capital Improvement Revenue Bonds, Series 2016 (Student Union Project) with an interest rate of 2.97 percent, at a net premium of \$1,187,123 for total proceeds to \$19,747,123. The proceeds, together with other legally available funds of the issuer, will be used to: (1) defease \$18,370,000 of outstanding Capital Improvement Revenue Bonds, Series 2007, Student Union Project, the proceeds of which financed the acquisition, construction, and equipping of a student union facility, and (2) pay the costs of issuance of the Series 2016 Bonds. As a result of the refunding, the Financing Corporation generated a net present value savings of \$2.9 million.

On November 23, 2016, the Financing Corporation issued \$117,930,000 of Capital Improvement Revenue Bonds, Series 2016, Housing Project, which is composed of three components, as follows: (1) defease \$92,520,000 of outstanding Capital Improvement Revenue Bonds, Series 2007, Housing Project, the proceeds of which financed the acquisition, construction, and equipping of housing facilities, (2) pay off a \$24,184,389 mortgage, the proceeds of which financed the acquisition of the housing facility known as The Flats at Kernan, and (3) pay the costs of issuance of the Series 2016 Bonds. As a result of the refunding, the Financing Corporation generated a net present value savings of \$11.4 million.

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2011	\$ -	\$ 61,288,000	\$ 61,288,000	0%	\$ 90,607,006	67.6%
7/1/2013	-	59,373,000	59,373,000	0%	93,822,932	63.3%
7/1/2015	-	89,307,000	89,307,000	0%	101,923,271	87.6%

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

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

	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.178641093%	0.163861902%	0.129164862%
University's proportionate share of the FRS net pension liability	\$ 23,073,893	\$ 9,997,986	\$ 22,235,021
University's covered-employee payroll (2)	\$ 125,990,236	\$ 117,535,569	\$ 115,332,300
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	18.31%	8.51%	19.28%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	92.00%	96.09%	88.54%

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

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

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

	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 4,379,790	\$ 4,355,422	\$ 3,589,271
FRS contributions in relation to the contractually required contribution	(4,379,790)	(4,355,422)	(3,589,271)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -
University's covered-employee payroll (2)	\$ 129,192,013	\$ 125,990,236	\$ 117,535,569
FRS contributions as a percentage of covered-employee payroll	3.39%	3.46%	3.05%

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

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

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

	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
University's proportion of the HIS net pension liability	0.169564152%	0.153930987%	0.151530964%
University's proportionate share of the HIS net pension liability	\$ 17,292,876	\$ 14,392,923	\$ 13,192,763
University's covered-employee payroll (2)	\$ 51,632,616	\$ 45,798,877	\$ 44,164,199
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.49%	31.43%	29.87%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.50%	0.99%	1.78%

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

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

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

	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 898,825	\$ 648,180	\$ 527,316
HIS contributions in relation to the contractually required HIS contribution	(898,825)	(648,180)	(527,316)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -
University's covered-employee payroll (2)	\$ 54,205,326	\$ 51,632,616	\$ 45,798,877
HIS contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

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

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. Schedule of Funding Progress – Other Postemployment Benefit Plan**

The July 1, 2015, unfunded actuarial accrued liability of \$89,307,000 was significantly higher than the July 1, 2013, liability of \$59,373,000 as a result of changes as a result of (1) updates in demographic data, (2) updates to all demographic assumptions, (3) updated per capita healthcare claims costs over expected, (4) updated retiree contribution rates, and (5) updated trend assumptions.

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

*Changes of Assumptions.* The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 percent.



Sherrill F. Norman, CPA  
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 21, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 21, 2017