

ANNUAL FINANCIAL REPORT 2005-06



“THE HORIZONS OF
THE UNIVERSITY OF FLORIDA ...
ARE LIMITLESS.”

DR. J. BERNARD MACHEN

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THE UNIVERSITY OF FLORIDA IS IN GAINESVILLE.
THE GATOR NATION IS EVERYWHERE.

There is no numerical symbol for imagination.

No bar graph for visionary thinking.

No mathematical equation that measures inspiration.

Yet the numbers contained in this report represent

exactly those very human contributions ...

inspired, groundbreaking, often world-changing contributions

that make a difference in lives everywhere.

So as we look back at the past year in financial terms,

it is important to reflect on the human contributions, as well.

Contributions made by the millions of people

who inhabit a universe known as The Gator Nation.

The University of Florida is the foundation for that nation ...

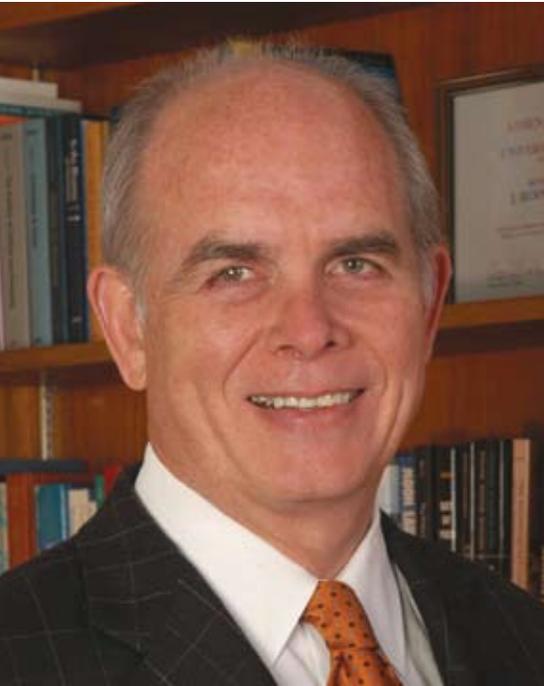
a nation of extraordinary people who share grander visions ...

broader horizons.

And while the university itself is in Gainesville ...

the horizons of The Gator Nation ...

are limitless.



MESSAGE FROM THE PRESIDENT

Companies based on UF technologies contribute nearly half a billion dollars to Florida's economy annually, according to a survey released early in 2005.

AT A UNIVERSITY AS LARGE AND DIVERSE AS THE UNIVERSITY OF FLORIDA, it is always hard to stitch together a year's worth of accomplishments into one overarching theme. But if the past year can be summed up, it is one of achievement in research.

Our faculty netted \$518.8 million in sponsored research contracts and grants, for the first time clearing the \$500 million hurdle. We completed the largest research building on our campus, the 280,000-square foot Cancer and Genetics Research Complex. And we broke ground for another major research building, the Nanoscale Research Facility.

That's not all. We announced a key new partnership with the Burnham Institute for Medical Research, one that will complement our existing collaboration with Scripps Florida. The Milken Institute ranked UF fifth nationwide on its University Technology Transfer and Commercialization Index. And in one of many recent indicators of our increasing global prominence, our butterfly collection is now second only to the National History Museum in London.

These highlights are worth noting for several reasons. One, research plays a key role in UF's academic standing. Indeed, a thriving research enterprise is a main ingredient in our efforts to join the nation's top ten public universities. Two, because research is the backbone for our technology transfer and commercialization programs, it is essential to the hundreds of millions of dollars we contribute to Florida's economy. One key fact: Companies based on UF technologies contribute nearly half a billion dollars to Florida's economy annually, according to a survey released early in 2005.

The third and perhaps most important reason that research is important is that it contributes to the health of our population, our country's high standard of living and U.S. competitiveness. Many UF efforts fall into this category – three products developed as a result of UF research include a leading glaucoma drug called Trusopt, a heart-healthy peanut and a termite control system that has saved thousands of homes and historic structures. From this past year, however, our work in energy offers a particularly timely example of our research relevance. Dozens of UF faculty members are involved in making nuclear energy safer and

more efficient, developing hydrogen fuel cells, crafting more efficient photovoltaic solar cells, and so on. But in the past few months, the national interest in ethanol drew attention to our faculty members' significant achievements in converting timber, lawn waste and other so-called "woody biomass" to ethanol. Indeed, UF professor Lonnie Ingram, a pioneer in biomass-to-ethanol technology, was invited to meet with President Bush in February 2007.

We know we have the ability to tap the energy in this biomass, thanks to unique technology pioneered by UF over two decades ago following the oil crisis of the 1970s. This technology has received widespread acclaim, including a landmark patent designation as the five millionth patent in 1991. Florida's vehicles consume about 8.6 billion gallons of fuel each year. Our researchers believe Florida could produce 10 billion gallons of ethanol from the state's woody biomass. Of course, that would require a huge investment in new infrastructure, but UF research is there to support this transition.

While research took center stage this past year, UF also made significant progress in areas related to its other missions of teaching and service.

Perhaps our most notable achievement bridged both missions. We successfully debuted the Florida Opportunity Scholarship program, which pays all education and living expenses for qualified students who are the first in their families to attend college. More than 400 Florida Opportunity scholars joined the

2006-07 freshmen class! The immediate result was a more diverse class, with enrollment of African Americans increasing four percentage points, from 9 percent to more than 13 percent. That turnaround was encouraging, especially if we can sustain it next year.

Significantly, we also completed the first full year of the UF sustainability initiative. This long-term effort is intended to make UF a model in conserving energy and natural resources, reducing the university's impacts on the environment and improving the lives of everyone in our community. We achieved a lot in the first year – and we learned we have a long way to go. For example, we bought 12 hybrids and 45 Flex Fuel vehicles, we planned 12 buildings to be certified as "green" under the Leadership in Energy and Environmental Design program, and we cut hallway lighting in half. But in just one example of how much work lies ahead, we are committed to zero solid waste by 2015. We currently recycle at least 30 percent of our consumer solid waste, so the challenge is clear.



Thanks to UF research,
energy can grow on trees.



**THE NAVIGATOR, UF
AUTONOMOUS VEHICLE.**

Other important events and milestones from the past year:

- We celebrated UF's 100th anniversary in Gainesville. UF's growth over the past century has truly been astonishing. When the university opened in 1906, we had 102 students and 15 faculty members. Today, more than 50,000 students attend UF and we have more than 5,000 faculty members.
- We dedicated the Kathryn Chicone Ustler Hall, home to UF's women's studies program, and held the groundbreaking for the Jim and Alexis Pugh Hall, soon-to-be home of the Bob Graham Center for Public Service.



- We made significant progress in fundraising. The Faculty Challenge Initiative aimed at enhancing faculty resources passed \$125 million in new funding ahead of schedule. Happily, we now need to reassess that goal. Also, it appears our University endowment is now valued at nearly \$1 billion -- an increase of 70 percent in the last three years.

We have made significant progress in the past year, and there is much for which we can be proud. That said, we have ambitious plans for the future. To return to research, the cancer complex and nanotech building will soon be followed by the Biomedical Sciences Building and the Pathogen Research Facility. When all of these facilities are completed in 2009, this campus will have hundreds of thousands of square feet of additional research space – ample laboratories, classrooms and meeting spaces to support a truly world-class research enterprise. I look forward to seeing the important discoveries and innovations our scientists and engineers produce as a result.

UF is an incredibly varied institution, one that offers rich and rewarding opportunities to students, scholars and scientists of every stripe. We will only enhance these opportunities as new buildings sprout across campus, new scholarships and programs come on line, and university-wide initiatives such as sustainability gain traction. It is truly an exciting time to be a Gator!

J. Bernard Machen
President

I AM PLEASED TO PRESENT THE UNIVERSITY OF FLORIDA ANNUAL FINANCIAL REPORT FOR 2005-06. This report provides pertinent information concerning the university's financial position and activities for the year. The university had a strong financial year as evidenced by net assets of more than \$1.6 billion, a 3.8 percent increase when compared to 2004-05. The Management's Discussion and Analysis, the financial statements and the notes to the financial statements document the university's financial success and health for this year.

During the year significant capital resources were devoted to enhancing facilities necessary for fulfilling the instructional, research and clinical missions of the university. Construction projects completed include the Cancer and Genetics Research Center, a multi-disciplinary biomedical research facility, which is expected to boost Florida's biotechnology efforts and serve as a model for interdisciplinary research. Library West, which opened in 1967, was renovated and expanded to create a new building which included integration of electronic and print resources and support for new teaching methodologies to meet the needs of the graduate and undergraduate students. Planning and construction continues on several major projects including the Pathogen Research Facility, the NIMET Nanoscale Research Facility, the Proton Therapy Institute located in Jacksonville, Florida, and the Biomedical Sciences Building.

Finance and Administration is committed to conducting business in a fiscally responsible manner under the highest ethical standards. Our principles include maintaining an internal control environment which enhances sound business practices and clearly defines roles, responsibilities and accountability. As the university grows and changes, we will continue to provide the framework necessary to ensure financial strength.



Ed Poppell
Vice President for Finance and Administration



INTRODUCTION FROM
THE VICE PRESIDENT FOR
FINANCE AND ADMINISTRATION



OVERVIEW

THE UNIVERSITY OF FLORIDA IS COMMITTED TO THREE DISTINCT
YET INTERLOCKING MISSIONS:
TEACHING, RESEARCH AND SERVICE.

MISSION

Educating students, from undergraduate through doctoral, is the recognized purpose of the university, but the quality of that education benefits significantly from the other two missions. Research provides an environment of inspiration and discovery so critical to educating the leaders of tomorrow. And service addresses the university's obligation to use its knowledge and skills to benefit the public welfare, but also engrains a tradition of public service in students.

These three elements span all of the university's academic disciplines and multidisciplinary centers, and represent a deep commitment to the pursuit and dissemination of new knowledge while building upon our history and traditions.

UF is one of only 18 land-grant universities in the esteemed Association of American Universities, and is a doctoral/research extensive institution as categorized by the Carnegie Foundation.

HISTORY

As Florida's oldest university, the rich history of the University of Florida began in 1853, when the state-funded East Florida Seminary acquired the Kingsbury Academy in Ocala. The institution relocated north to Gainesville at the end of the Civil War. The institution was consolidated

with the state's land grant Florida Agricultural College, then in Lake City, and was renamed the University of Florida in 1906. In those days the university was an all-male institution

with only 102 students. During World War II, the university established training programs for U.S. service personnel, such as U.S. Army Air Corps aircrew training.



Until 1947 the University of Florida was one of only three state universities, which included the Florida State College for Women (now Florida State University) and Florida A&M. Women attended the university as early as 1916, and the student body grew to 601 women and 8,177 men when the legislature removed all barriers for female enrollment in 1947.

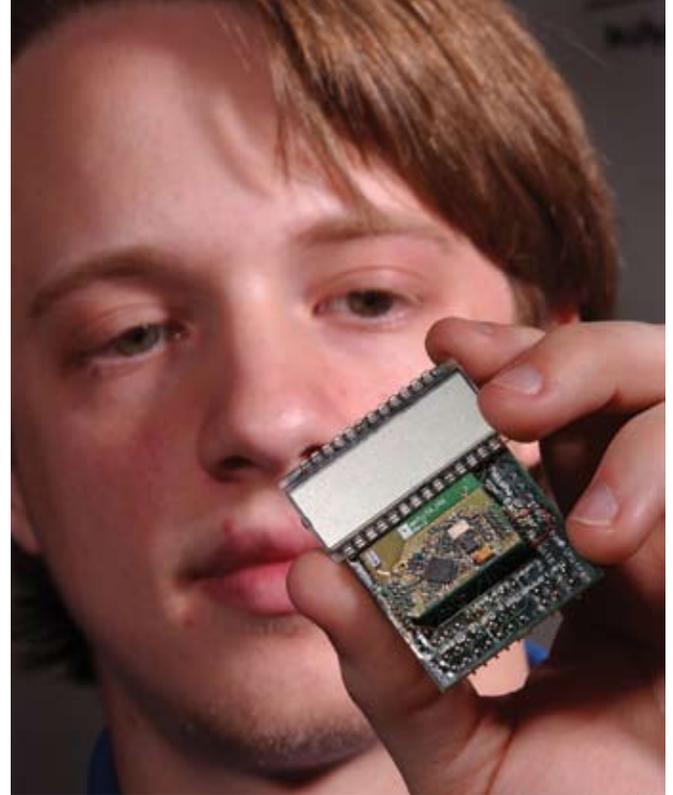
Today, the university has grown to become one of the five largest universities in the nation, boasting an enrollment of more than 50,000 students.

The governance structure of the University of Florida changed at the end of 2001, when the governor appointed separate boards of trustees to each state university. In January 2004, Dr. J. Bernard Machen became the 11th president of the University of Florida, having previously served as president of the University of Utah.

In 2005, *The Scientist* magazine ranked UF among the best places to work in academia.

STUDENTS

Preliminary fall 2006 enrollment figures for the university include nearly 40,000 in-state students, representing all Florida counties, with 2,125 undergrads representing all 49 of the other states, the District of Columbia, Puerto Rico and the Virgin Islands. UF is also gaining an increasingly international student body, with approximately 3,000 international students representing more than 100 countries. The ratio of women to men is



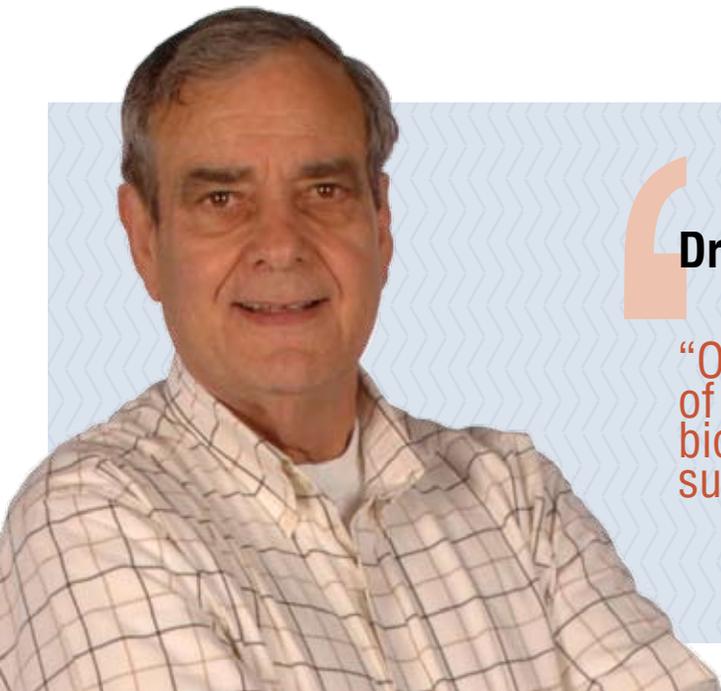
currently 53 to 47. Seventy percent of enrolled students are undergraduates, 22 percent are graduate students and eight percent are in professional degree programs. Approximately 25 percent of the University of Florida student body members are minorities with 7.4 percent of the student population consisting of African American students, 10.9 percent Hispanic/Latino students, and 6.9 percent Asian-American or Pacific Islander students.

University of Florida students are among the best in the nation, as approximately 90 percent of incoming freshman score above the national average on standardized college entrance exams. Many prestigious scholarship programs that fund undergraduate and

Biomass

Dr. James F. Preston

“Our work focuses on the development of efficient methods to convert biomass materials to alternative fuels such as ethanol.”



graduate study in the United States and abroad are awarded to University of Florida students annually. Past UF winners have included a Rhodes, Mitchell, several Udalls and Trumans, many Fullbright Fellowships, and others. The University of Florida also has received more International Baccalaureate transcripts than any other institution in the world. Committed to diversity at every level, the university is second among all Association of American Universities members in awarding bachelor's degrees to Hispanic/Latino students, second for awarding bachelor's degrees to African-American students and third for all universities nationally in doctorates awarded to African Americans.

In the last five years, the University of Florida has invested extensively in campus computing infrastructure and in classroom renovations and technology upgrades. Further, the University of Florida's freshman retention rate of 94 percent speaks to the outstanding quality of the university's entire academic experience, from counseling to online programs to self-tracking of academic progress to class registration.

University of Florida students are also given many opportunities to participate in extracurricular activities.

There are more than 750 student organizations on campus, and students attend more than 2,000 campus concerts, art exhibits, theatrical productions, guest lectures, sports concerts and other events each year. Students participate in an average of two out-of-class seminars and lectures a day and enjoy a variety of outdoor activities throughout the year.



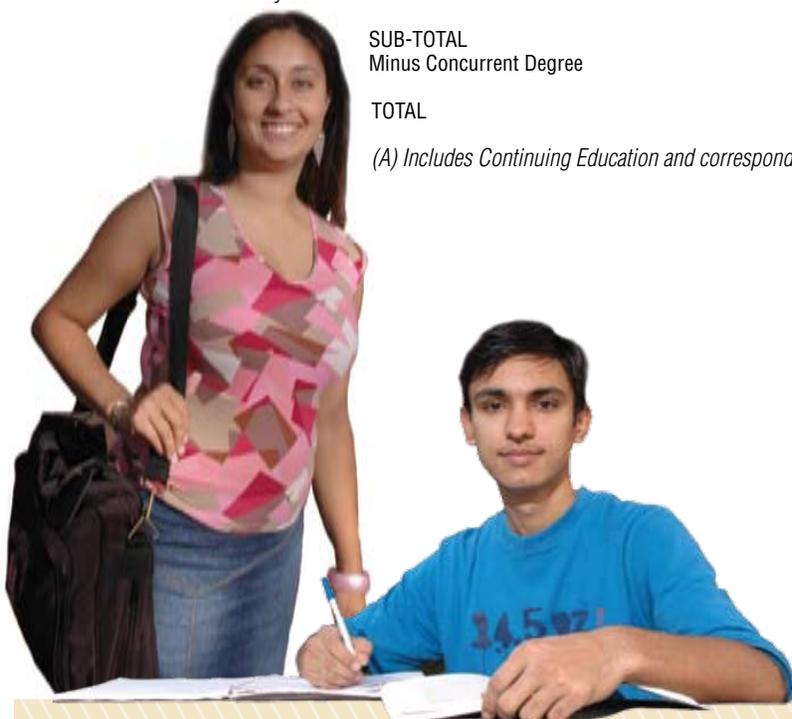
In our quest to reduce our dependence upon foreign oil, the field of bioenergy research is one of the most promising, providing both practical and near term solutions. Conversion of underutilized resources such as forest and agricultural residues, as well as crops grown specifically for conversion to fuel, offers tremendous potential. In collaboration with L.O. Ingram, K.T. Shanmugam, and other faculty in the

Department of Microbiology and Cell Science, Dr. Preston's work is directed at the development of bacterial biocatalysts that efficiently convert cellulosic biomass to alternative fuels. Commercial applications are already under way, most notably the conversion of sugar cane, which is particularly well-suited to the process.

Headcount Enrollment by Colleges and Schools - Fall Terms

College/School	2005	2004	2003	2002	2001
Accounting	873	972	947	903	844
Agricultural and Life Sciences	4,084	3,798	3,707	3,623	3,508
Building Construction	672	628	609	559	561
Business Administration	5,546	5,682	6,221	6,713	6,600
Dentistry	380	380	373	374	370
Design, Construction, and Planning	996	987	989	981	1,005
Division of Continuing Education (A)	417	372	294	535	450
Education	1,898	1,912	1,749	1,810	1,777
Engineering	6,635	6,402	6,580	6,607	6,437
Fine Arts	1,230	1,147	1,180	1,180	1,175
Forest Resources and Conservation	186	161	144	129	124
Health and Human Performance	2,028	1,838	1,815	1,882	1,893
High School	39	27	36	35	28
Journalism and Communications	2,973	2,985	3,157	3,305	3,441
Law	1,363	1,273	1,267	1,312	1,299
Liberal Arts and Sciences	14,496	14,016	13,713	12,954	12,337
Medicine	851	800	789	758	759
Natural Resources and Environment	217	177	181	180	198
Nursing	926	920	936	860	806
Pharmacy	640	574	468	372	351
Pharmacy Doctor	1,873	1,595	1,387	1,174	1,016
Physician Assistant Program	120	119	117	119	120
Public Health & Health Professions	1,605	1,552	1,561	1,409	1,343
Veterinary Medicine	519	512	511	501	444
SUB-TOTAL	50,567	48,829	48,731	48,275	46,886
Minus Concurrent Degree	55	63	58	90	87
TOTAL	<u>50,512</u>	<u>48,766</u>	<u>48,673</u>	<u>48,185</u>	<u>46,799</u>

(A) Includes Continuing Education and correspondence students not enrolled in a college.



RESEARCH SUCCESSES

The University of Florida is a world leader in research, contributing significantly to nearly every field of endeavor. UF researchers have pioneered new therapies and better treatments in the fights against aging and disease. They have developed renewable energy sources that offer great promise in reducing our dependence upon fossil fuels. They have engineered healthier foods, more

Biochemistry

Dr. Agbandje-McKenna is an associate professor of biochemistry and molecular biology at UF.

Using structural and molecular biology tools, her main research focus is the study of viruses infecting bacteria, plants, and mammals. The parvovirus B19 is an example that infects humans, which causes Fifth Disease in children and

rheumatic-like symptoms in adults. The aim of her research is to understand how the viruses infect their host cells and tissues, and replicate new viruses for re-infection.

The ultimate goal is to aid the development of disease treatments in the form of virus assembly disrupters, viral vaccines, foreign antigen delivery vehicles, and gene therapy vectors.



MACROBIOLOGY RESEARCHERS LONNIE INGRAM AND GREG LULI DISCUSS A NEW BACTERIUM DEVELOPED BY INGRAM THAT PRODUCES ETHANOL FROM BIOMASS.

energy-efficient and sustainable construction techniques and better ways to protect the environment. They work closely with NASA on a wide variety of critical scientific projects. And in the process, they improve the lives of millions of people in Florida and around the world.

The Milken Institute named UF one of the top 5 institutions in the country for the transfer of research to the marketplace in 2006. Through years of research, University of Florida scientists, inventors, engineers and researchers have developed products and practices that



have been distributed and applied with an international reach. In fact, some 80 biotechnology companies have emerged from university research initiatives, and these companies contribute an estimated half a billion dollars annually to Florida's economy alone.

UF also leads in royalty licensing. Significant products include the glaucoma drug Trusopt, the Gatorade® thirst quencher, and the Sentricon termite elimination system. The university also patented 64 inventions in 2005, making it seventh highest in number of patents issued.

Development projects include a partnership with Spain to create the world's largest telescope in the Canary Islands, the construction of a new proton beam facility in Jacksonville for the treatment of cancer, and a collaboration with the Burnham Institute to construct a 50,000-square-foot facility in Orlando, dedicated to research in the areas of diabetes, aging, genetics and cancer.

UF was awarded \$518.8 million in sponsored research in 2005-06 - more than all other Florida universities combined.

PROGRAMS

The University of Florida offers a vast array of programs on its single campus, and there are 16 colleges and more than 150 research, service and education centers, bureaus

Dr. Mavis Agbandje-McKenna

“Our work is aimed at developing viral based strategies that aid in the development of new, more effective treatments for disease. The UF College of Medicine provides an ideal environment for advancing our objectives.”





and institutes. Faculty and student scholars are brought together from various academic programs to provide research and development services in all areas of interest. Nearly 100 undergraduate majors are offered, and more than 1,900 freshman and sophomores participate in the honors program, which offers 90 to 100 courses per semester. The graduate school coordinates 242 graduate and professional degree programs, which include dentistry, law, medicine, pharmacy and veterinary medicine.

In addition, UF has a distinguished record of developing Florida agriculture into a national leader through research and extension services, expanding the influence of the university into every county of the state and beyond.

FACULTY

The distinguished faculty of the University of Florida attracted almost \$519 million in research and training grants for 2005-06, up \$25 million from the previous record-breaking year. The university faculty, which numbers more than 5,000, now has 62 Eminent Scholar Chairs, and more than two dozen faculty members are elected members of the National Academies of Science and/or Engineering, the Institute of Medicine, or a counterpart in another nation. The University of Florida also remains one of the top 20 public universities as ranked by *U.S. News and World Report*.

Environmental

Dr. Lou Guillette

“Our work examining birth defects in alligators is providing important insights into the origins of adult diseases, such as those associated with infertility in humans.”

Guillette is far too modest: among many other significant accomplishments, his research influenced the passage of the Food Quality Protection Act, described by the Environmental Protection Agency as “the most comprehensive and historic overhaul of the nation’s pesticide and food safety laws in decades.” A Distinguished Professor in Zoology at

As a testament to the success of the University of Florida faculty, the university has been awarded national scientific centers that include the McKnight Brain Institute for the study of neurological disease; the Engineering Research Center for Particle Science; and the National High Magnetic Field Laboratory in Tallahassee under the joint auspices of the University of Florida, Florida State University and Los Alamos National Laboratory.

There have been many honored faculty, past and present, including Pulitzer Prize-winners in editorial writing and poetry; a recognized pioneer in aviation engineering; a leading scholar on econometrics; three winners of NASA's top award for research; one of the four charter members of the Solar Hall of Fame; and a winner of the

Smithsonian Institution's award for conservation and a winner of the prestigious Fields Medal.

From pharmacy and public relations to pain mitigation and materials engineering, the University of Florida is a recognized leader in a wide variety of specialties and areas. University of Florida researchers and scientists have made significant developments and discoveries in many fields, including astronomy, microbiology, metallurgy and medical technology. The university ranks 13th among all universities in patents awarded.

FACILITIES

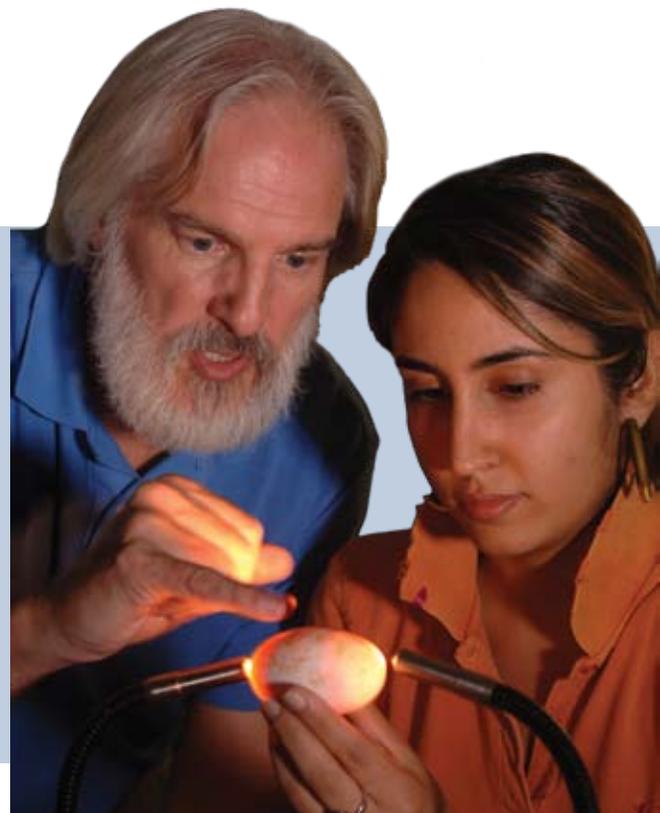
The University of Florida is in Gainesville, which is recognized as one of the nation's best college towns.

Degrees Awarded by Type of Degree

Degree	2005-06	2004-05	2003-04	2002-03	2001-02
Bachelors	8,255	8,417	8,574	7,975	7,776
Masters	3,053	2,958	3,022	2,889	2,752
Doctor of Philosophy	718	702	694	591	607
Juris Doctor	394	383	425	414	416
Doctor of Pharmacy	345	325	272	254	231
Doctor of Medicine	115	99	116	111	107
Doctor of Veterinary Medicine	82	77	75	82	82
Doctor of Dental Medicine	78	79	76	80	71

UF, Guillette is also renowned for his exceptional abilities to inspire his students. "We should be teaching 'scholarship' – the pursuit of knowledge, rather than 'studentship,' where students are sat down and told what is important."

Guillette was recently named one of just 20 Howard Hughes Medical Institute professors nationwide.



Occupying more than 2,000 acres, the university operates out of more than 979 buildings, with more than 180 containing classrooms and laboratories. The University of Florida's facilities are valued at more than \$2.1 billion.

The northeastern area of the campus is a Historic District on the National Register of Historic Places. The 24 single-student residence areas house some 7,200 students and five family housing villages house nearly 1,800 married and graduate students. The Hume Honors Residency Building is the first residential college built from the ground up in the U.S. to serve honors students. In addition, the University of Florida department of housing offers living facilities for engineering students, international students, a career exploration community, a leader scholar community and two residence areas with a wellness focus. In fall 2006, the university plans to convert residence halls into areas for fine arts majors, as well as a global living partnership. Additionally, since the 1980s the University of Florida has offered a faculty-in-residence program on campus, where faculty members live in the residence halls, serving as mentors and advisors.

Currently, the University of Florida is in the construction stage of the state-of-the-art Proton Beam Therapy Center in Jacksonville. On the main campus, the \$85 million Biomedical Sciences Building is nearing completion. Additional facility improvements completed or under construction include the Orthopedic Surgery and Sports Medicine Institute, the Mary Ann Harn Cofrin Pavilion, the Legal Information Center, the ICBR Biotechnology



A FIXED-FILM ANAEROBIC DIGESTER TANK PRODUCING METHANE GAS AT UF'S DAIRY RESEARCH UNIT IN HAGUE.

Laboratory Pavilion, and the remodeling of the Pharmacy Wing of the Health Science Center. The university began construction in the summer of 2006 on the Jim and Alexis Pugh Hall, which will house the new Bob Graham Center for Public Service.



Dr. Ron Parise

“My education and experience at the University of Florida not only launched my career in astronomy research and space communications, but literally launched me into space!”

NASA



SPORTS AND RECREATIONAL ACTIVITIES

The University of Florida prides itself on the excellence of its collegiate sports programs and enjoys significant success with its varsity teams. Last year, the Gators had 10 teams accomplish top-10 finishes in their respective sports, including a NCAA national title by the men's basketball team. The 2006-07 season is already off to a strong start, highlighted by the football team's BCS national title. The first time in history one university has held both titles in the same year.

The University of Florida finished fifth in the national all-sports competition for overall men's and women's program excellence, up from its previous ranking of seventh. Only the University of Florida and the University of California - Los Angeles, have finished in the top-10 all-sports ranking in every year since the 1983-84 academic year.

Florida was also successful away from the athletic arena in 2005-06, as the Gators had 187 SEC Academic Honor Roll accolades. The total ranked as the second-highest in school history.

Few schools in the country can boast an Olympic tradition as rich as the University of Florida. Since 1968, 117 Gator student-athletes have represented 27 countries in 10 Olympiads and laid claim to 76 medals, including 39 gold medals.

Federal Awards by Agency (in millions)

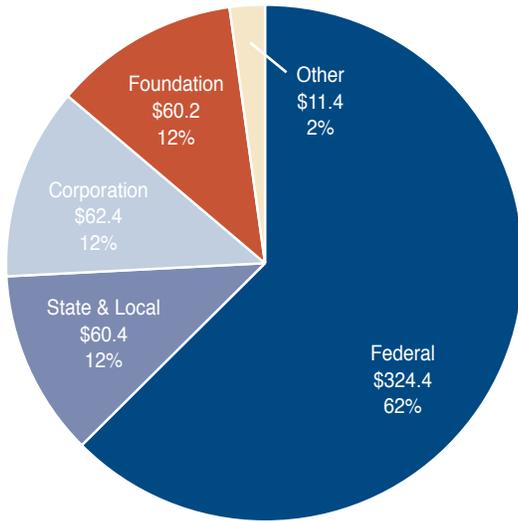
NIH	\$ 143.8
NSF	39.6
USDA	33.3
DOD	23.0
HHS	13.6
Education	12.2
NASA	11.3
Energy	10.1
Veteran's Affairs	8.8
HRSA	7.8
Commerce	4.9
Interior	3.6
DOT	3.1
EPA	2.7
Other Federal	<u>6.6</u>
Total	<u>\$ 324.4</u>

The University of Florida provides an athletic atmosphere rivaled by only a few other schools in the nation. Providing guidance, leadership and management of the university's sports programs, the University Athletic Association is a direct- support organization serving as one of several component units of the university.

Aside from varsity sports, University of Florida students, faculty and staff enjoy first-class recreational facilities located at convenient spots on campus, with numerous recreational and fitness programs offered. The Stephen C. O'Connell Center and the J. Wayne Reitz Union provide space for a myriad of activities. With a capacity of 12,000 people for concerts and other events, the O'Connell Center has space for 1,000 people to participate in eight different recreational activities simultaneously. The O'Connell Center is home to Gator basketball, volleyball, swimming and gymnastics teams. Thousands use the Reitz Union daily for dining, meetings, games, hotel accommodations and more.

The Student Recreation and Fitness Center was the first facility dedicated to recreation at the university when it opened in 1991 and now offers more than 100 fitness classes per week. The Southwest Recreational Center is a

Research Awards by Sponsor for 2005-06 Fiscal Year
(in millions)



100,000-square-foot facility located on the corner of a 26-acre site that features lighted outdoor basketball, tennis and volleyball courts, and a tournament-grade four-field softball complex. The university also hosts more than 60 sports clubs from Aikido to water-skiing and wheelchair

basketball. The University of Florida's intramural sports program attracted more than 30,000 participants each semester during the last academic year.

The University of Florida is committed to an environmentally friendly campus, with its open spaces, small ponds, picnic areas, shady nooks, and even an 81-acre wildlife sanctuary. In addition to providing venues to enjoy Florida's year-round outdoor life, the University of Florida recently launched a new campaign of sustainability, a campus-wide plan that concentrates on environmental and social initiatives. The University of Florida is focusing on maintaining sustainable practices in the areas of ecology, economy and equity. In recognition of the initiative's success, the University of Florida is the first university designated as a Certified Audubon Cooperative Sanctuary, by the Audubon Cooperative Sanctuary System. It is one of 607 such sanctuaries in the world.

And so, as the University of Florida builds upon its successes and continues its leadership into the future, it remains in the enviable position of being pedagogically respected, financially sound, organizationally stable and eager for the continuing challenges of the 21st century.





William O. Monroe, CPA
Auditor General

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 FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2006, as shown on pages 24 through 49. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, as described in note 1 to the financial statements, which comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors. The prior year partial comparative information has been derived from the University's 2004-05 financial statements and, in our report dated February 20, 2006, we expressed an unqualified opinion on the respective financial statements.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Florida and of its aggregate discretely presented component units as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the fiscal year ended June 30, 2005, from which such partial information was derived.

In accordance with Government Auditing Standards, we have also issued our report dated February 5, 2007, on our consideration of the University of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters included under the heading INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit. That report is included as a part of our separately issued audit report on the University.

The MANAGEMENT'S DISCUSSION AND ANALYSIS on pages 19 through 23 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

William O. Monroe

William O. Monroe, CPA
February 5, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS

FROM THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

INTRODUCTION AND BACKGROUND

The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida (the University) for the fiscal year ended June 30, 2006, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$2,157.3 million at June 30, 2006. This balance reflects a \$110.8 million, or 5.4%, increase from the 2004-05 fiscal year. While assets grew, liabilities also increased. Liabilities totaled \$475.5 million at June 30, 2006, compared to \$426.4 million at June 30, 2005, an increase of \$49.1 million or 11.5%. As a result, the University's net assets increased by \$61.7 million, or 3.8%, reaching a year end balance of \$1,681.8 million.

The University's operating revenues totaled \$983.2 million for the 2005-06 fiscal year, representing a slight decrease from the 2004-05 fiscal year. Major components of operating revenues are contracts and

grants and student tuition and fees. Two primary factors contributed to the decrease in revenues. First, while research awards to the University of Florida increased, the amount of deferred revenue increased over the prior year. Second, while student tuition and fees increased, the scholarship allowances also increased, resulting in a net decrease in tuition of \$4.2 million.

Net nonoperating revenues and expenses increased 6.5% primarily because in the 2005-06 fiscal year, the University had a 7% increase in State appropriations.

Operating expenses totaled \$1,732.4 million for the 2005-06 fiscal year, representing an increase of 5.7% over the 2004-05 fiscal year. The largest category of operating expenses, compensation and employee benefits, increased by 7.1%.

The University had significant construction activity during the year. Construction projects completed include: (1) Cancer and Genetics Research Center (capitalizable costs of \$74.9 million); (2) Library West addition and renovation (capitalizable costs of \$27.9 million); (3) ICBR Biotechnology Lab (capitalizable costs of \$5.9 million); and (4) Harn Sculpture Atrium (capitalizable costs of \$6.2 million). Construction continues on several major projects including: (1) NIMET Nanoscale Research Facility; (2) Proton Therapy Institute located in Jacksonville, Florida; and (3) Biomedical Sciences Building.

OVERVIEW OF FINANCIAL STATEMENTS

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

- **The University's Direct-Support Organizations** – These are separate, not-for-profit corporations organized and operated exclusively to assist the University in achieving excellence by providing supplemental resources from private gifts, bequests and valuable education support services.
- **The Health Science Center Affiliates** – These are the several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center, including the Faculty Practice Plans.
- **Shands Hospital and Others** – This includes Shands Teaching Hospital and Clinics, Inc., a not-for-profit corporation that is contractually obligated to manage, operate, maintain and insure the hospital facilities in support of the programs of the Health Science Center at the University of Florida.

Information regarding these component units, including summaries of their separately issued financial statements, is presented in notes 1, 3 and 22 to the financial statements. This MD&A focuses on the University, excluding the component units. MD&A information regarding these component units is included in their separately issued audit reports, if reporting under GASB standards. Component units reporting under FASB standards do not include an MD&A in their audit reports.

The financial statements characterize revenues and expenses as either operating or nonoperating. A significant portion of the University's anticipated, recurring resources are considered nonoperating as defined by GASB Statement No. 35. The principal component of nonoperating revenues for the fiscal year ended June 30, 2006, is State appropriations for operations (\$596.3 million).

Recurring nonoperating expenses consist primarily of interest expense on bonds and revenue certificates payable, totaling \$5.3 million for the fiscal year ended June 30, 2006.

STATEMENT OF NET ASSETS

The Statement of Net Assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition. The following summarizes the University's assets, liabilities, and net assets at June 30:

Condensed Statement of Net Assets

(in millions)

	<u>2006</u>	<u>2005</u>
Assets:		
Current Assets	\$ 750.8	\$ 708.8
Capital Assets, Net	1,300.3	1,230.2
Other Noncurrent Assets	106.2	107.5
Total Assets	<u>2,157.3</u>	<u>2,046.5</u>
Liabilities:		
Current Liabilities	160.5	134.3
Noncurrent Liabilities	315.0	292.1
Total Liabilities	<u>475.5</u>	<u>426.4</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,185.3	1,111.1
Restricted	415.2	415.8
Unrestricted	81.3	93.2
Total Net Assets	<u>\$ 1,681.8</u>	<u>\$ 1,626.1</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. On the following page is a summary of the University's activity for the 2005-06 and 2004-05 fiscal years:

OPERATING REVENUES

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

On the following page is a summary of the operating revenues by source that were used to fund operating activities during the 2005-06 and 2004-05 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes**in Net Assets***(in millions)*

	<u>2005-06</u>	<u>2004-05</u>
Operating Revenues	\$ 983.2	\$ 1,021.4
Operating Expenses	<u>(1,732.4)</u>	<u>(1,638.5)</u>
Operating Loss	(749.2)	(617.1)
Net Nonoperating Revenues (Expenses)	<u>703.8</u>	<u>660.7</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(45.4)	43.6
Other Revenues, Expenses, Gains, or Losses	<u>107.1</u>	<u>104.2</u>
Increase in Net Assets	61.7	147.8
Net Assets – Beginning of Year	1,620.1	1,423.2
Adjustment to Beginning Net Assets – See Note 20	-	49.1
Net Assets – End of Year	<u>\$ 1,681.8</u>	<u>\$ 1,620.1</u>

Operating Revenues*(in millions)*

	<u>2005-06</u>	<u>2004-05</u>
Grants and Contracts	\$ 642.5	\$ 699.4
Student Tuition and Fees, Net of Scholarship Allowances	152.5	156.7
Sales and Services of Auxiliary Enterprises*	133.5	120.7
Sales and Services of Educational Departments*	53.4	42.0
Other	<u>1.3</u>	<u>2.6</u>
Total Operating Revenues	<u>\$ 983.2</u>	<u>\$1,021.4</u>

* Financial activities of the University's self-insurance program were reclassified in the 2005-06 fiscal year. Prior fiscal year amounts have been adjusted to make amounts between fiscal years comparable.

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 expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the Statement of Revenues, Expenses, and Changes in Net Assets and has displayed the functional classification in the notes to the financial statements.

The following summarizes the operating expenses for each method of classification for the 2005-06 and 2004-05 fiscal years:

Operating Expenses*(in millions)*

Natural Classifications	<u>2005-06</u>	<u>2004-05</u>
Compensation and Employee Benefits	\$ 1,128.0	\$ 1,053.5
Services and Supplies	340.9	327.8
Depreciation	107.4	101.2
Scholarships, Fellowships and Waivers*	68.6	82.7
Utilities and Communications	63.9	51.2
Self-Insured Claims and Expenses	<u>23.6</u>	<u>22.1</u>
Total Operating Expenses	<u>\$ 1,732.4</u>	<u>\$ 1,638.5</u>
Functional Classifications	<u>2005-06</u>	<u>2004-05</u>
Instruction	\$ 534.9	\$ 489.4
Research	441.2	428.2
Auxiliary Operations**	139.2	124.8
Public Service	135.0	143.4
Academic Support	110.0	101.7
Depreciation	107.4	101.2
Institutional Support**	95.6	95.2
Operation and Maintenance of Plant	90.6	80.4
Scholarships, Fellowships and Waivers*	47.4	41.9
Student Services	<u>31.1</u>	<u>32.3</u>
Total Operating Expenses	<u>\$ 1,732.4</u>	<u>\$ 1,638.5</u>

* Net of Scholarship Allowances of \$102.9 million in the 2005-06 fiscal year and \$86.2 million in the 2004-05 fiscal year.

** Financial activities of the University's self-insurance program were reclassified in the 2005-06 fiscal year. Prior fiscal year amounts have been adjusted to make amounts between fiscal years comparable.

NONOPERATING REVENUES AND EXPENSES

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2005-06 and 2004-05 fiscal years:

Nonoperating Revenues (Expenses)*(in millions)*

	<u>2005-06</u>	<u>2004-05</u>
State Appropriations	\$ 596.3	\$ 557.1
Federal and State Student Financial Aid	97.0	90.1
Investment Income	19.2	22.9
Interest on Capital Asset-Related Debt	(5.3)	(6.4)
Other Nonoperating Revenues (Expenses)	<u>(3.4)</u>	<u>(3.0)</u>
Net Nonoperating Revenues (Expenses)	<u>\$ 703.8</u>	<u>\$ 660.7</u>

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is mainly composed of capital appropriations and capital grants, contracts, and donations. The following summarizes the University's other revenues, expenses, gains or losses for the 2005-06 and 2004-05 fiscal years:

Other Revenues, Expenses, Gains, or Losses (in millions)

	<u>2005-06</u>	<u>2004-05</u>
Capital Appropriations	\$ 68.7	\$ 42.7
Capital Grants, Contracts and Donations	43.0	67.2
Loss on Disposal of Capital Assets	<u>(4.6)</u>	<u>(5.7)</u>
Total Other Revenues, Expenses, Gains, or Losses	<u>\$ 107.1</u>	<u>\$ 104.2</u>

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 and related financing activities include activities of the capital funds and related long-term debt. Cash flows from investing activities show the net source and use of cash related to the purchases and sales of investments, and income earned on those investments. Cash flows from noncapital financing activities include those activities not covered in the other sections.

Major sources of funds came from State appropriations (\$596.3 million), net student tuition and fees (\$148.9 million), grants and contracts (\$683.8 million), and sales and services of auxiliary enterprises (\$135.8 million).

During the 2004-05 fiscal year, the changes in balances in Due from State, Due to State, Due from Component Units and Due to Component Units, were reported as Operating Subsidies and Transfers for operating funds, and as Capital Subsidies and Transfers for non-operating funds. For the 2005-06 fiscal year, the changes have been combined with operating Grants and Contracts and Capital Gifts and Grants Received, respectively. Therefore, the 2004-05 fiscal year amounts reported on the Statement of Cash Flows have been restated for comparability.

The following summarizes cash flows for the 2005-06 and 2004-05 fiscal years:

Condensed Statement of Summary of Cash Flows (in millions)

	<u>2005-06</u>	<u>2004-05</u>
Cash Provided (Used) by:		
Operating Activities	\$ (578.4)	\$ (539.5)
Noncapital Financing Activities	691.5	632.4
Capital and Related Financing Activities	(104.7)	(121.9)
Investing Activities	<u>(12.3)</u>	<u>.7</u>
Net Change in Cash and Cash Equivalents	<u>(3.9)</u>	<u>(28.3)</u>
Cash and Cash Equivalents, Beginning of Year	<u>4.5</u>	<u>32.8</u>
Cash and Cash Equivalents, End of Year	<u>\$.6</u>	<u>\$ 4.5</u>

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2006, the University had approximately \$2.4 billion in capital assets, less accumulated depreciation of \$1.1 billion, for net capital assets of \$1.3 billion. Depreciation charges for the current fiscal year totaled \$107.4 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net (in millions)

	<u>2006</u>	<u>2005</u>
Land	\$ 10.9	\$ 10.4
Buildings	850.5	696.7
Infrastructure and Other Improvements	34.1	30.3
Furniture and Equipment	236.5	226.7
Library Resources	57.6	58.5
Property Under Capital Lease and Leasehold Improvements	7.7	9.1
Computer Software	19.0	24.2
Other Capital Assets	1.5	1.7
Construction in Progress	<u>82.5</u>	<u>172.6</u>
Total Capital Assets (Non-Depreciable and Depreciable, Net)	<u>\$ 1,300.3</u>	<u>\$ 1,230.2</u>

Additional information about the University's capital assets is presented in Note 8 to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2006, were incurred on the following continuing projects: Proton Therapy Institute located in Jacksonville, Florida (\$17.9 million), Murphree Hall renovation (\$6.9 million), and the Kathryn Chicone Ustler Hall (\$4.0 million). The following table summarizes the University's major capital commitments as of June 30, 2006:

Capital Expenses and Commitments
(in millions)

Project Name	Current Commitment	Expenses	Commitment Balance
Biomedical Sciences Building	\$ 92.4	\$.7	\$ 91.7
NIMET Nanoscale Research Facility	35.2	2.1	33.1
Graham Center at Pugh Hall	15.7	-	15.7
Proton Therapy Institute located in Jacksonville, FL	31.4	17.9	13.5
2005-2006 Utility and Infrastructure	14.0	.5	13.5
Hub Renovation	10.7	3.3	7.4
George Steinbrenner Band Building	6.0	.1	5.9
Projects with remaining balances less than \$5 million	115.5	57.9	57.6
Total	\$ 320.9	\$ 82.5	\$ 238.4

Additional information about the University's capital commitments is presented in Note 15 to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2006, the University had \$125.4 million in outstanding bonds and revenue certificates, capital leases, and installment purchase agreements, representing an increase of \$4 million, or 3.3%, from the prior fiscal year. The following table summarizes the outstanding capital asset related debt by type of debt at June 30:

Capital Asset Related Debt
(in millions)

	2006	2005
Bonds and Revenue Certificates	\$ 119.2	\$ 117.3
Capital Leases	3.8	3.9
Installment Purchase Agreements	2.4	.2
Total Capital Asset Related Debt	\$ 125.4	\$ 121.4

Additional information about the University's capital asset related debt is presented in Note 11 to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The budget that the Florida Legislature adopted for the 2006-07 fiscal year provided an 11.8% increase for State universities. The Legislature provided a salary increase of 3% for State university employees; and provided \$54.5 million for enrollment growth at State universities (the University's share is \$4.8 million or 8.8%). The University expects an increase in revenue from student tuition and fees because of increased enrollment and increased student tuition and fees. Effective Fall 2006, in addition to assessing tuition and fees based on student residency, course level, and program, tuition rates are now also based on the first enrolled term of the current degree. The new fee schedule resulted in increases as shown below:

Undergraduate Courses

	Pre-Fall 2005	Fall 2005	Fall 2006
Resident Tuition & Fees	3.6% increase	3.6% increase	3.6% increase
Non-Resident Tuition & Fees	3.1% increase	3.3% increase	3.3% increase

Graduate Courses

	Pre-Fall 2005	Fall 2005	Fall 2006
Resident Tuition & Fees	5% increase	5% increase	9.5% increase
Non-Resident Tuition & Fees	1.4% increase	1.5% increase	2.8% increase

Overall enrollment for Fall 2006 (50,785 students after drop/add) increased 2.3% from Fall 2005. Undergraduate enrollment increased by 1.1% and graduate and professional enrollment increased by 3.5% and 10.2%, respectively, which illustrates the continued shift of enrollment into graduate and professional courses with higher tuition costs.

STATEMENT OF NET ASSETS as of June 30, 2006

(amounts expressed in thousands)

	University of Florida		Component Units (FYE 2006)		
	2006	2005	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 2)	\$ 298	\$ 4,330	\$ 24,068	\$ 56,179	\$ 186,115
Investments (Note 3)	535,289	500,685	96,252	3,042	172,902
Accounts Receivable, Net (Note 4)	108,750	127,852	62,888	52,183	167,120
Loans and Notes Receivable, Net (Note 4)	3,783	3,952	-	-	-
Due from State (Note 5)	96,396	65,876	34,349	-	-
Due from Component Units/University (Note 6)	-	-	76,091	26,859	8,089
Inventories (Note 7)	5,614	5,700	1,237	73	3
Other Current Assets	646	414	4,621	4,579	37,960
Total Current Assets	750,776	708,809	299,506	142,915	572,189
Noncurrent Assets:					
Restricted Cash and Cash Equivalents (Note 2)	273	208	399	1,500	-
Restricted Investments (Note 3)	71,314	73,864	1,252,799	22,251	188,926
Loans and Notes Receivable, Net (Note 4)	33,685	32,531	1,255	-	-
Depreciable Capital Assets, Net (Note 8)	1,206,525	1,046,932	123,613	18,573	560,990
Non-depreciable Capital Assets (Note 8)	93,806	183,343	39,963	380	79,026
Other Noncurrent Assets	915	863	1,347	15,891	78,587
Total Noncurrent Assets	1,406,518	1,337,741	1,419,376	58,595	907,529
TOTAL ASSETS	\$ 2,157,294	\$ 2,046,550	\$ 1,718,882	\$ 201,510	\$ 1,479,718
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 63,645	\$ 61,337	\$ 16,403	\$ 10,323	\$ 217,390
Accrued Salaries and Wages Payable	28,802	24,860	6,100	17,331	71
Due to State	176	261	-	-	-
Due to Component Units/University (Note 6)	9,444	12,269	83,953	9,759	8,207
Deferred Revenues (Note 10)	27,050	6,316	61,629	46	47
Deposits Held in Custody	4,803	5,491	103	62	-
Long-Term Liabilities – Current Portion: (Note 11)					
Bonds and Revenue Certificates Payable	6,595	6,044	1,565	532	17,453
Installment Purchase Agreements Payable	742	187	-	-	-
Capital Leases Payable	83	78	-	83	220
Compensated Absences Payable	9,599	8,504	2,018	6,968	-
Liability for Self-Insured Claims	9,613	8,988	-	-	-
Other Current Liabilities	-	-	6,164	3,857	112
Total Current Liabilities	160,552	134,335	177,935	48,961	243,500
Noncurrent Liabilities: (Note 11):					
Bonds and Revenue Certificates Payable	112,665	111,247	118,350	18,231	394,178
Installment Purchase Agreements Payable	1,656	79	-	-	-
Capital Leases Payable	3,700	3,783	-	152	6,616
Compensated Absences Payable	130,300	120,782	89	19,584	-
Liability for Self-Insured Claims	66,646	56,214	-	-	-
Other Noncurrent Liabilities	-	-	30,364	1,458	61,624
Total Noncurrent Liabilities	314,967	292,105	148,803	39,425	462,418
TOTAL LIABILITIES	475,519	426,440	326,738	88,386	705,918
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,185,280	1,111,191	53,724	968	220,805
Restricted:					
Nonexpendable:					
Endowment	-	-	820,654	-	155
Expendable:					
Loans	51,225	49,866	-	-	-
Capital Projects	104,764	85,869	-	-	-
Debt Service	3,722	3,923	-	-	-
Other Restricted Net Assets	255,488	276,099	400,323	1,500	3,167
Unrestricted	81,296	93,162	117,443	110,656	549,673
TOTAL NET ASSETS	1,681,775	1,620,110	1,392,144	113,124	773,800
TOTAL LIABILITIES AND NET ASSETS	\$ 2,157,294	\$ 2,046,550	\$ 1,718,882	\$ 201,510	\$ 1,479,718

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

for the Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

	University of Florida		Component Units (FYE 2006)		
	2005-06	2004-05	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
REVENUES					
Operating Revenues:					
Student Tuition and Fees	\$ 255,373	\$ 242,921	\$ -	\$ -	\$ -
Scholarship Allowances	(102,868)	(86,216)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	152,505	156,705	-	-	-
Federal Grants and Contracts	284,353	294,692	-	-	-
State and Local Grants and Contracts	36,118	70,080	-	-	-
Nongovernmental Grants and Contracts	322,067	334,642	-	-	-
Sales and Services of Auxiliary Enterprises (Note12)	133,546	120,686	-	-	-
Sales and Services of Educational Departments	53,373	42,026	-	-	-
Sales and Services of Component Units	-	-	49,364	-	598
Hospital Revenues	-	-	-	379,484	1,397,435
Gifts and Donations - Component Units	-	-	108,725	8,043	9,205
Royalties and Licensing Fees - Component Units	-	-	43,115	-	1,098
Interest on Loans and Notes Receivable	726	386	-	-	-
Other Operating Revenues	533	2,194	4,703	10,148	143,520
Total Operating Revenues	983,221	1,021,411	205,907	397,675	1,551,856
EXPENSES					
Operating Expenses:					
Compensation and Employee Benefits	1,128,013	1,053,495	-	-	-
Services and Supplies	340,892	327,796	-	-	-
Utilities and Communications	63,884	51,133	-	-	-
Scholarships, Fellowships and Waivers	68,614	82,748	-	-	-
Depreciation	107,398	101,215	6,464	4,444	63,832
Self-Insured Claims and Expenses	23,612	22,119	-	-	-
Other Component Unit Operating Expenses	-	-	250,417	328,737	1,362,307
Total Operating Expenses (Note 13)	1,732,413	1,638,506	256,881	333,181	1,426,139
Operating Income (Loss)	(749,192)	(617,095)	(50,974)	64,494	125,717
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	596,314	557,086	-	-	-
Federal and State Student Financial Aid	97,013	90,111	-	-	-
Investment Income	19,246	22,894	131,522	2,395	18,436
Interest on Capital Asset Related Debt	(5,342)	(6,419)	(4,180)	(191)	-
Other Nonoperating Revenues (Expenses)	(3,436)	(2,895)	3,215	(103,086)	(17,261)
Net Nonoperating Revenues (Expenses)	703,795	660,777	130,557	(100,882)	1,175
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(45,397)	43,682	79,583	(36,388)	126,892
Capital Appropriations	68,716	42,745	-	-	-
Capital Grants, Contracts and Donations	43,008	67,201	-	-	-
Gain/(Loss) on Disposal of Capital Assets	(4,662)	(5,778)	20	175	-
Additions to Permanent Endowments	-	-	88,885	-	985
Transfers from/(to) Component Units	-	-	3,597	49,278	(32,596)
Total Other Revenues, Expenses, Gains or Losses	107,062	104,168	92,502	49,453	(31,611)
Increase in Net Assts	61,665	147,850	172,085	13,065	95,281
Net Assets, Beginning of Year	1,620,110	1,423,163	1,220,059	100,059	678,519
Adjustment to Beginning Net Assets (Note 20)	-	49,097	-	-	-
Adjusted Net Assets, Beginning of Year, as Restated	1,620,110	1,472,260	1,220,059	100,059	678,519
Net Assets, End of Year	\$ 1,681,775	\$ 1,620,110	\$ 1,392,144	\$ 113,124	\$ 773,800

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

STATEMENT OF CASH FLOWS for the Fiscal Year Ended June 30, 2006

(amounts expressed in thousands)

	University of Florida	
	2005-06	2004-05
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 148,865	\$ 156,993
Grants and Contracts	683,829	648,665
Sales and Services of Auxiliary Enterprises	135,811	119,979
Sales and Services of Educational Departments	53,323	42,051
Repayment of Loans Receivable	7,503	8,297
Interest on Loans Receivable	787	813
Payments to Employees	(1,114,254)	(1,047,517)
Payments to Suppliers	(404,321)	(351,644)
Payments for Scholarships and Fellowships	(68,614)	(82,748)
Loans Issued to Students	(8,486)	(9,843)
Payments on Self-Insurance Claims	(12,555)	(10,997)
Other Operating Disbursements	(371)	(13,564)
Net Cash Used by Operating Activities	(578,483)	(539,515)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	596,314	557,086
Federal and State Scholarship Grants	97,013	90,111
Direct Loan Program Receipts	151,343	153,240
Direct Loan Program Disbursements	(151,238)	(153,591)
Funds Held for Others	(2,130)	(12,835)
Other Nonoperating Receipts	4,827	1,321
Other Nonoperating Disbursements	(4,628)	(2,937)
Net Cash Provided by Noncapital Financing Activities	691,501	632,395
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	68,716	22,911
Capital Grants and Gifts Received	15,254	56,246
Proceeds from Sales of Capital Assets	129	75
Purchases of Capital Assets	(175,814)	(188,311)
Principal Paid on Capital Debt and Leases	(7,602)	(6,351)
Interest Paid on Capital Debt and Leases	(5,342)	(6,419)
Net Cash Used by Capital and Related Financing Activities	(104,659)	(121,849)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Investments	1,610,027	1,298,211
Purchase of Investments	(1,643,986)	(1,320,257)
Investment Income	21,633	22,796
Net Cash Provided (Used) by Investing Activities	(12,326)	750
Net Decrease in Cash and Cash Equivalents	(3,967)	(28,219)
Cash and Cash Equivalents, Beginning of Year	4,538	32,757
Cash and Cash Equivalents, End of Year	\$ 571	\$ 4,538
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (749,192)	\$ (617,095)
Adjustments to Reconcile Net Operating Income to Net Cash Used by Operating Activities:		
Depreciation Expense	107,398	101,215
Changes in Assets and Liabilities:		
Receivables, Net	17,787	(54,365)
Due from State and Component Units	-	422
Inventories	86	89
Other Assets	(233)	632
Accounts Payable	601	26,565
Accrued Salaries and Wages Payable	3,146	(8,646)
Due to State and Component Units	(469)	604
Deferred Revenue	20,734	(14,710)
Deposits Held in Custody	(11)	29
Compensated Absences Payable	10,613	14,623
Liability for Self Insured Claims	11,057	11,122
NET CASH USED BY OPERATING ACTIVITIES	\$ (578,483)	\$ (539,515)

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



NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2006

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The University of Florida is a separate public instrumentality that is part of the State university system of public universities, and is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints six citizen members and the State's Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The State's Board of Education is responsible for overseeing kindergarten through graduate school education in the State. The State's 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 Florida law, State Board of Education rules, and Board of Governors regulations. The Trustees select the University President and the State Board of Education ratifies the candidate selected. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees for the University.

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

B. Blended Component Unit

Based on the application of the criteria for determining component units, the University of Florida Self-Insurance Program (the Program), combined with the University of Florida Healthcare Education Insurance Company (HEIC), is included within the University's reporting entity as a blended component unit. The Program was created by the State's Board of Governors, pursuant to Section 1004.24, Florida Statutes. The HEIC was created on September 1, 1994, as a self-insurance mechanism created pursuant to Section 1004.24, Florida Statutes. Although legally separate from the University of Florida, the Program's and the HEIC's sole purpose is to assist in providing liability protection for the University and its affiliated individuals and entities, and are therefore reported as if they are part of the University. See Note 18 for more details.

C. Discretely Presented Component Units

Based on the application of the criteria for determining component units, certain affiliated organizations are included within the University's reporting entity as discretely presented component units. The University further categorizes its component units as Direct-Support Organizations, Health Science Center Affiliates, and Shands Teaching Hospital and Others. 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 Office of University Relations. Condensed financial statements for the University's discretely presented component units are shown in Note 22.

D. Direct-Support Organizations

The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 6C-9.011, are considered component units of the University of Florida and therefore the latest audited financial statements of these organizations are included in the financial statements of the University by discrete presentation. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services.

The Statute authorizes these organizations to receive, hold, invest and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

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

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

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

Gator Boosters, Inc. supports athletic activities at the University.

The University of Florida Law Center Association, Inc. supports the College of Law.

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

Florida 4-H Club Foundation, Inc. promotes the educational objectives of the Florida Cooperative Extension Service.

Southwest Florida Research and Education Foundation, Inc. provides research and educational support to the University of Florida Southwest Florida Research and Education Center.

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

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

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

University of Florida Alumni Association, Inc. supports activities of the alumni of the University of Florida.

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

E. Health Science Center Affiliates

Several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center (JHMHC) are considered to be component units of the University of Florida. These corporations are as follows:

- Florida Clinical Practice Association, Inc.
- UF Jacksonville Physicians, Inc.
- Faculty Associates, Inc.
- Florida Health Professions Association, Inc.
- UF College of Nursing Faculty Practice Association, Inc.
- UF College of Pharmacy Faculty Practice Association, Inc.
- Florida Veterinary Medicine Faculty Association, Inc.
- UF Jacksonville Healthcare, Inc.
- Faculty Clinic, Inc. d.b.a. UF Faculty Clinic/ Jacksonville
- Jacksonville Health Education Programs, Inc. (discontinued as a component unit effective for the 2005-06 fiscal year)

The first seven corporations listed are Faculty Practice Plans, as provided for in Board of Governors Regulation 6C- 9.017. The Faculty Practice Plans provide educationally-oriented clinical practice settings and opportunities through which faculty members provide health, medical, and dental care to patients as an integral part of their academic activities and their employment as faculty. Because these faculty practice activities

generate income, the colleges are authorized to regulate fees generated from faculty practice and maintain Faculty Practice Plans for the orderly collection and distribution of fees. These organizations provide significant support for the clinical instruction function of the JHMHC.

University of Florida Jacksonville Healthcare, Inc., a Health Services Support Organization, as provided for in Board of Governors Regulation 6C-9.020, engages in strategic alliances and partnerships with non-academic entities, effecting managed care contracting and provider network development for the JHMHC. Faculty Clinic, Inc. was originally organized to operate a multi-specialty clinic. However, effective January 1, 1995, Faculty Clinic, Inc. was restructured to operate as a facilities management company.

F. Shands Teaching Hospital and Others

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

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

Under the terms of the contractual agreement, Shands is obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the JHMHC and further

agrees to contract with the State Board of Education for the provision of these programs. By operation of law, the University of Florida Board of Trustees has become the successor-in-interest to the State Board of Education.

Baby Gator Child Care Center, Inc. (the Center) was incorporated October 19, 1970, under Section 1011.48, Florida Statutes, to establish and operate an educational research center for child development for children of University of Florida students, faculty and staff. The Center is funded primarily through fees paid by parents and an annual allocation of funds from the Capital Improvement Trust Fund established by the State Board of Education. In addition, the Center receives other governmental assistance. The Center uses a facility owned by the University without charge. The University also provides other services and support for the Center, some also without charge. The Center's policy is to not record contributed facilities, services, and other support in its financial statements.

University Village Apartments, Inc. (the Corporation) was established in 1969, for the purpose of providing housing for low- and moderate-income families, especially those affiliated with the University of Florida. Capital was contributed at inception by the University of Florida Foundation, Inc., but no capital stock was issued because the Corporation does not operate for the benefit of any special interest. The Corporation provides housing under Section 221(d)(3) of the National Housing Act. The facility consists of 28 two-story buildings and is regulated by the United States Department of Housing and Urban Development as to rent charges and operating methods. The Corporation's major program is its Section 221 insured loan, which is in the repayment phase. Legal title to the property is held by the Corporation.

G. Basis of Presentation

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

of the accrual basis of accounting and entity-wide reporting including the following components:

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

H. Basis of Accounting

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

The University's discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred; some follow GASB and some, such as the University of Florida Foundation, Inc. and Shands Teaching Hospital and Clinics, Inc., follow FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

Federal and State student financial aid, investment income and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

The Statement of Cash Flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

I. Capital Assets

University capital assets consist of land, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease and lease improvements, works of art and historical treasures, computer software, construction in progress, and other capital assets. 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 or purchases of State surplus property. Additions, improvements and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property and \$100,000 for new buildings. For building improvements, the threshold is \$100,000, or less, if the amount expended is at least 25% of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings / Improvements – 20 to 50 years, depending on construction
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Leasehold Improvements – 5 to 20 years or the term of the lease, whichever is less
- Computer Software – 3 to 7 years
- Library Resources – 10 years

J. Noncurrent Liabilities

Noncurrent liabilities include principal amounts of bonds and revenue certificates payable, installment purchases agreements payable, capital leases payable, compensated absences payable, and liability for self-insured claims that are not scheduled to be paid within the next fiscal year. Bonds and revenue certificates payable are reported net of unamortized premium or discounts and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds and revenue certificates using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds and revenue certificates using the straight-line method.

K. Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and subsequent notes hereafter.

2 CASH AND CASH EQUIVALENTS

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

3 INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds awaiting clearing with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Investment Pool, administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees, as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. Investments of the University and its component units at June 30, 2006 are reported at fair value and shown in Tables 1 and 2.

Table 1. University Investments

Types of Investments	Fair Value
External Investment Pools:	
Florida State Treasury Special Purpose Investment Account	\$ 7,955
Florida State Board of Administration Local Government Investment Pool	501,672,085
Florida State Board of Administration Debt Service Accounts	185,190
United States Government and Federally -Guaranteed Obligations	5,714,300
Federal Agency Obligations	35,587,456
Repurchase Agreements	13,914,323
Bonds and Notes	14,670,911
Stocks	29,429,954
Certificates of Deposit	750,000
Money Market Funds	4,671,410
Total University Investments	\$ 606,603,584

A. External Investment Pools

The University and its discretely presented component units (See Note 1) reported investments at fair value totaling \$7,955 and \$47,429,801, respectively, at June 30, 2006, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury has

Table 2. Component Units Investments

Types of Investments	Fair Value
External Investment Pools:	
Florida State Treasury Special Purpose Investment Accounts	\$ 47,429,801
Florida State Board of Administration Local Government Investment Pool	28,308,023
United States Government and Federally -Guaranteed Obligations	68,631,237
Federal Agency Obligations	33,994,200
Bonds and Notes	89,541,272
Investment Agreements	585,948,038
Real Estate Agreements	5,942,414
Stocks	113,941,789
Certificates of Deposit	716,011
Money Market Funds	94,910,625
Equity Mutual Funds	475,336,326
Bond Mutual Funds	191,472,929
Total Component Units Investments	\$ 1,736,172,665

taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 2.72 years at June 30, 2006. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

The University and its discretely presented component units reported investments at fair value totaling \$501,672,085 and \$28,308,023, respectively, at June 30, 2006, in the Local Government Investment Pool, administered by State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The University's investments in the Local Government Investment Pool, a Securities and Exchange Commission Rule 2a-7 like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the actual underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2006.

B. Florida State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$185,190 at June 30, 2006, in the State Board of Administration Debt Service Accounts. These investments are used to make

debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less. The University relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

C. Other Investments

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, money market funds, mutual funds and certificates of deposit. For the University, practically all of the other investments are those reported by the University of Florida Self-Insurance Program combined with the University of Florida Healthcare Education Insurance Company, a blended component unit (See Note 1). For the University's discretely presented component units, other investments are those reported primarily by the University of Florida Foundation, Inc., University of Florida Research Foundation, Inc., The University Athletic Association, Inc., Florida Clinical Practice Association, Inc., and Shands Teaching Hospital and Clinics, Inc. The following risks apply to University and discretely presented component units investments other than external investment pools:

Interest Rate Risk: Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Per the Statement of Investment Guidelines and Objectives of the University of Florida Healthcare Education Insurance Company, the weighted average duration of the fixed income portfolio shall at all times be less than five years. Investments of the University and its component units in debt securities and bond mutual funds, and their future maturities at June 30, 2006 are shown in Tables 3 and 4, respectively.

Credit Risk: Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2006, the University and its component units had bonds and notes, money market funds and bond mutual funds, with quality ratings by nationally recognized rating agencies (i.e., Moody's), as shown in Tables 5 and 6, respectively.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial risk relates to

Table 3. University Debt Investment Maturities

Types of Investments	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 5,714,300	\$ -	\$ -	\$ 548,858	\$ 5,165,442
Federal Agency Obligations	35,587,456	-	24,563,075	10,401,418	622,963
Bonds and Notes	14,670,911	-	10,776,199	3,894,712	-
Total	\$ 55,972,667	\$ -	\$ 35,339,274	\$ 14,844,988	\$ 5,788,405

Table 4. Component Units Debt Investment Maturities

Types of Investments	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 68,631,237	\$ 5,687,957	\$ 30,675,540	\$ 12,980,671	\$ 19,287,069
Federal Agency Obligations	33,994,200	-	30,169,609	1,584,537	2,240,054
Bonds and Notes	89,541,272	43,338,203	30,933,332	2,427,427	12,842,310
Bond Mutual Funds	191,472,929	2,500,626	54,038,506	134,915,732	18,065
Total	\$ 383,639,638	\$ 51,526,786	\$ 145,816,987	\$ 151,908,367	\$ 34,387,498

Table 5. University Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Bonds and Notes	\$ 14,670,911	\$ 847,722	\$ 10,313,194	\$ 3,509,995	\$ -
Money Market Funds	4,671,410	4,671,410	-	-	-
Total	\$ 19,342,321	\$ 5,519,132	\$ 10,313,194	\$ 3,509,995	\$ -

Table 6. Component Units Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Bonds and Notes	\$ 89,541,272	\$ 23,709,346	\$ 7,392,241	\$ 37,335,532	\$ 21,104,153
Money Market Funds	94,910,625	-	-	14,775,605	80,135,020
Bond Mutual Funds	191,472,929	114,718,626	1,306,000	-	75,448,303
Total	\$ 375,924,826	\$ 138,427,972	\$ 8,698,241	\$ 52,111,137	\$ 176,687,476

investment securities that are held by someone other than the University and are not registered in the University's name. The University has no formal policy on custodial credit risk. The component units manage their custodial credit risk based on various investment policies, which may be obtained separately from the component units.

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

4 RECEIVABLES

A. Accounts Receivable

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

Table 7. Accounts Receivable

Contracts and Grants	\$ 87,075,289
Sales and Services of Auxiliary Enterprises	16,426,287
Student Tuition and Fees	3,548,497
Interest	1,129,145
Sales and Services of Educational Departments	570,960
Accounts Receivable, Net	\$ 108,750,178

B. Loans and Notes Receivable

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

C. Allowances for Uncollectible Receivables

Allowances for uncollectible accounts, and loans and notes receivable, are recorded based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and other factors considered appropriate. Accounts receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$8,703,874, which is 29% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$3,214,460, which is 8% of total related loans and notes receivable. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

5 DUE FROM STATE

This is the amount of Public Education Capital Outlay, Alec P. Courtelis Capital Facility Matching Trust Fund, Capital Improvement Fee Trust Fund and other allocations due to the University for construction of University facilities.

6 DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2006. The University's component units financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units have a fiscal year other than June 30. Accordingly, amounts reported by the University as due from and to component units on the Statement of Net Assets may not agree with amounts reported by the component units as due from and to the University.

7 INVENTORIES

Inventories have been categorized into the following two types:

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

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

8 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006 is presented in Table 8.

9 MUSEUM AND ART COLLECTIONS

The Florida Museum of Natural History, which is part of the University, maintains a depository of biological, geological, archaeological, and ethnographic materials. The Museum's collections contain approximately 20 million individual items, more than half of which are catalogued, either individually or in lots. While many of the collections are undoubtedly quite valuable and irreplaceable, the University has not placed a dollar valuation on these items and, accordingly, the financial statements do not include these assets.

Table 8. Capital Assets

Description	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets, Non-Depreciable:				
Land	\$ 10,369,253	\$ 616,414	\$ 63,140	\$ 10,922,527
Construction in Progress	172,560,857	106,581,745	196,675,107	82,467,495
Works of Art and Historical Treasures	413,062	3,000	-	416,062
Total Capital Assets, Non-Depreciable	\$ 183,343,172	\$ 107,201,159	\$ 196,738,247	\$ 93,806,084
Capital Assets, Depreciable:				
Buildings	\$ 1,229,099,910	\$ 194,006,490	\$ 255,033	\$ 1,422,851,367
Infrastructure and Other Improvements	68,800,967	6,594,861	-	75,395,828
Furniture and Equipment	542,874,953	60,783,423	33,686,366	569,972,010
Library Resources	229,338,761	11,281,003	150,000	240,469,764
Property Under Capital Lease and Lease Improvements	9,815,002	-	-	9,815,002
Works of Art and Historical Treasures	521,931	94,791	3,000	613,722
Computer Software	31,829,623	1,978,659	1,468,181	32,340,101
Other Capital Assets	2,305,435	171,313	198,850	2,277,898
Total Capital Assets, Depreciable	2,114,586,582	274,910,540	35,761,430	2,353,735,692
Less: Accumulated Depreciation for:				
Buildings	583,264,051	41,295,841	52,200,378 (1)	572,359,514
Infrastructure and Other Improvements	38,469,509	2,799,427	-	41,268,936
Furniture and Equipment	316,200,806	43,361,088	26,092,532	333,469,362
Library Resources	170,847,991	11,627,855	(416,192)	182,892,038
Property Under Capital Lease and Lease Improvements	693,750	1,452,198	-	2,145,948
Works of Art and Historical Treasures	197,045	36,024	-	233,069
Computer Software	7,632,919	6,672,957	929,705	13,376,171
Other Capital Assets	1,370,791	152,755	57,439	1,466,107
Total Accumulated Depreciation	1,118,676,862	107,398,145	78,863,862	1,147,211,145
Total Capital Assets, Depreciable, Net	\$ 995,909,720	\$ 167,512,395	\$ (43,102,432)	\$ 1,206,524,547

(1) See Note 20 regarding the adjustment related to Shands' buildings accumulated depreciation.

10 DEFERRED REVENUES

Deferred revenues include amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Deferred Revenues, as of June 30, 2006 are summarized in Table 9.

Table 9. Deferred Revenues

Description	Amount
Contracts and Grants	\$ 21,052,724
Sales and Services of Auxiliary Enterprises	5,879,616
Other Operating Revenue	117,875
Total Deferred Revenues	\$ 27,050,215

11 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2006 include bonds and revenue certificates payable, installment purchase agreements payable, capital leases payable, compensated absences payable and liability for self-insured claims.

Long-term liability activity for the fiscal year ended June 30, 2006 is presented in Table 10.

A. Bonds and Revenue Certificates Payable

Bonds and revenue certificates were issued to construct University facilities, including parking garages, student housing facilities, and academic and student service facilities. Bonds and revenue certificates outstanding, which include both term and serial bonds, are secured by a pledge of housing rental revenues, traffic and parking fees, and an assessed transportation fee based on credit hours. Building and capital improvement fees, collected as part of tuition and remitted to the State Board of Education, are used to retire the revenue certificates of the

academic and student service facilities. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

The University has extinguished long-term debt obligations by the issuance of new long-term debt instruments, as follows:

On October 27, 2005, the University issued \$37,610,000 of University of Florida Housing Revenue Refunding Bonds, Series 2005A, with interest rates ranging from 3.250 to 5.125 percent to advance refund callable portions of the University's Housing Revenue Bonds, Series 1993 and 2000, with rates from 5.0 to 7.0 percent. The refunding bonds were issued to advance refund the \$10,350,000 principal amount of the Series 1993 bonds maturing on or after July 1, 2006, and \$26,070,000 principal amount of the Series 2000 bonds maturing on or after July 1, 2011. The proceeds were used to purchase U.S. Government securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's Statement of Net Assets. As a result of the refunding, the University reduced its debt service requirement by \$3,491,349 over the next 25 years and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,166,783.

The Housing Revenue Bonds, Series 2000, are considered to be in-substance defeased and the liabilities for the defeased bonds, which total \$26,070,000 at June 30, 2006, are not included in the University's statement of net assets.

A summary of the University's bonds and revenue certificates payable outstanding at June 30, 2006 appears in Table 11.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2006 appear in Table 12.

Table 10. Long-Term Liabilities

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Asset Related Debt:					
Bonds and Revenue Certificates	\$ 117,290,859	\$ 44,684,640	\$ 42,715,300	\$ 119,260,199	\$ 6,594,817
Installment Purchase Agreements	266,100	2,722,872	591,033	2,397,939	741,538
Capital Leases	3,861,410	-	78,106	3,783,304	83,144
Total Capital Asset Related Debt	121,418,369	47,407,512	43,384,439	125,441,442	7,419,499
Other Long-Term Liabilities:					
Compensated Absences	129,285,894	230,778,598	220,165,676	139,898,816	9,598,628
Liability for Self-Insured Claims	65,202,520	26,301,281	15,244,323	76,259,478	9,613,018
Total Long-Term Liabilities	\$ 315,906,783	\$ 304,487,391	\$ 278,794,438	\$ 341,599,736	\$ 26,631,145

Table 11. Bonds and Revenue Certificates Payable

Bond Series	Amount of		Amount Outstanding		Bonds Interest Rate	Maturity Date
	Original Issue	Total Retired	Principal	Interest		
Student Housing Bonds:						
1959F	\$ 1,500,000	\$ 1,220,000	\$ 280,000	\$ 12,750	3.000%	2011
1984	3,500,000	2,195,000	1,305,000	181,950	3.000%	2014
1993	13,000,000	13,000,000	-	-		
1998	26,155,000	4,815,000	21,340,000	11,256,499	4.200 to 5.000%	2028
2000	30,695,000	28,085,000	2,610,000	353,750	5.000 to 7.000%	2010
2005A	37,610,000	1,170,000	36,440,000	25,470,151	3.250 to 5.125%	2030
Subtotal	<u>112,460,000</u>	<u>50,485,000</u>	<u>61,975,000</u>	<u>37,275,100</u>		
Parking Garage Bonds:						
1993	19,545,000	12,335,000	7,210,000	1,254,088	4.800 to 5.000%	2014
1998	10,000,000	2,360,000	7,640,000	2,503,956	3.875 to 4.750%	2019
Subtotal	<u>29,545,000</u>	<u>14,695,000</u>	<u>14,850,000</u>	<u>3,758,044</u>		
Academic and Student Services Facilities Bonds:						
1997	11,349,317	2,767,561	8,581,756	4,450,144	5.100 to 5.625%	2022
1997A	4,723,765	616,256	4,107,509	1,249,742	4.400 to 5.000%	2016
1998	13,783,839	2,944,292	10,839,547	5,092,875	4.000 to 5.000%	2023
2001	4,259,373	486,047	3,773,326	2,111,941	4.000 to 5.000%	2026
2003A	12,359,757	4,004,175	8,355,582	1,703,578	5.000%	2013
2006A	8,470,880	-	8,470,880	6,129,243	4.000 to 5.000%	2030
Subtotal	<u>54,946,931</u>	<u>10,818,331</u>	<u>44,128,600</u>	<u>20,737,523</u>		
Less: Unamortized Bonds Discounts	-	-	(891,900)	-		
Plus: Unamortized Bond Premiums	-	-	1,062,645	-		
Less: Unamortized Refunding Loss	-	-	(1,864,146)	-		
Total Bonds and Revenue Certificates	\$ <u>196,951,931</u>	\$ <u>75,998,331</u>	\$ <u>119,260,199</u>	\$ <u>61,770,667</u>		

B. Installment Purchase Agreements Payable

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$3,355,954. The stated interest rates ranged from 2.38% to 8.90%. Future minimum payments remaining under the agreements as of June 30, 2006 appear in Table 13.

C. Capital Leases Payable

On June 8, 1994, the former Board of Regents, on behalf of the University of Florida, entered into a lease agreement with the University of Florida Foundation, Inc. (the Foundation), a direct-support organization (component unit) of the University. Under the terms of the agreement, the University agreed to lease from the Foundation a 607-space parking garage (the garage) located near the Health Science Center Administrative Offices for a period of thirty years beginning July 1, 1994. Lease payments of \$100,000 annually are due each July 1. The

garage was simultaneously acquired by the Foundation from Shands Teaching Hospital and Clinics, Inc. (Shands), also a component unit, and financed by the Foundation through the issuance of a promissory note secured by a non-recourse mortgage containing payment terms similar to those in the lease agreement between the Foundation and the University. Lease payments from the University to the Foundation and from the Foundation to Shands were based on an original construction cost of \$3,000,000 and no interest. For reporting purposes, the lease is considered a capital lease under Financial Accounting Standards Board (FASB) Statement No. 13, *Accounting for Leases*. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$1,382,470. The asset, "Leased Property Under Capital Lease," was recorded at cost to Shands of \$3,000,000.

On March 1, 2000, the University, acting for and on behalf of the former Board of Regents, entered into a lease agreement with Shands. Under the terms of the agreement, the University agreed to lease from Shands an 800-space parking garage located

Table 12. Bonded Debt Outstanding

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 6,594,817	\$ 5,823,385	\$ 12,418,202
2008	6,693,365	5,448,075	12,141,440
2009	6,173,831	5,163,964	11,337,795
2010	6,410,424	4,880,683	11,291,107
2011	6,727,925	4,583,979	11,311,904
2012-2016	31,955,513	18,172,137	50,127,650
2017-2021	26,854,198	11,114,181	37,968,379
2022-2026	18,505,425	5,235,691	23,741,116
2027-2031	11,038,102	1,348,572	12,386,674
Subtotal	120,953,600	61,770,667	182,724,267
Less: Unamortized Bond Discounts	(891,900)	-	(891,900)
Plus: Unamortized Bond Premiums	1,062,645	-	1,062,645
Less: Unamortized Refunding Loss	(1,864,146)	-	(1,864,146)
Total	\$ 119,260,199	\$ 61,770,667	\$ 181,030,866

Table 13. Installment Purchase Agreements

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 741,538	\$ 90,895	\$ 832,433
2008	617,062	58,382	675,444
2009	397,463	35,961	433,424
2010	367,593	20,546	388,139
2011	241,823	6,637	248,460
2012-2016	32,460	1,240	33,700
Total	\$ 2,397,939	\$ 213,661	\$ 2,611,600

Table 14. Capital Leases Payable

Capital Leases	Interest Rate	Original Balances	Outstanding Balance At June 30, 2006
Shands Garage (607 spaces)	6.45%	\$ 1,382,470	\$ 1,047,097
Shands Garage (800 spaces)	6.45%	2,981,939	2,736,207
Total		\$ 4,364,409	\$ 3,783,304

Table 15. Capital Leases Principal and Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 83,144	\$ 244,023	\$ 327,167
2008	88,506	238,660	327,166
2009	94,215	232,952	327,167
2010	100,292	226,875	327,167
2011	106,761	220,406	327,167
2012-2016	646,419	989,415	1,635,834
2017-2021	883,573	752,261	1,635,834
2022-2026	1,001,282	434,552	1,435,834
2027-2031	779,112	129,554	908,666
Total	\$ 3,783,304	\$ 3,468,698	\$ 7,252,002

near the Health Science Center Administrative Offices for a period of thirty years beginning March 1, 2000. Lease payments of \$227,167 annually are due each May 1, beginning May 1, 2001. Lease payment amounts were based on an original construction cost of \$6,815,002 and no interest. For reporting purposes, the lease is considered a capital lease under FASB Statement No. 13, *Accounting for Leases*. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$2,981,939. The asset, "Leased Property Under Capital Lease," was recorded at cost to Shands of \$6,815,002. A summary of pertinent information related to the two capital leases appears in Table 14.

Future minimum payments under the capital lease agreements as of June 30, 2006 are presented in Table 15.

D. 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 Regulation 6C-5.920 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 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, 2006, the estimated liability for annual, sick, and compensatory leave is \$82,742,491, \$56,821,684, and \$334,641, respectively, which includes the University's share of the Florida Retirement System and FICA contributions. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

INTERDEPARTMENTAL AUXILIARY SALES

Interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from expenses and revenues for reporting purposes. The interdepartmental transactions eliminated in the financial statement preparation totaled \$90,628,955 for the fiscal year ended June 30, 2006.

13 FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction, such as research and public service. However, when the primary mission of those departments consists of instructional program elements, all expenses of those departments are reported under the instruction classification. The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented by natural classifications. Table 16 presents those same expenses in functional classifications as recommended by NACUBO.

16 RETIREMENT PROGRAMS

A. Florida Retirement System

Most employees working in regularly established positions of the University are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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

The State of Florida establishes contribution rates for participating employers. Employer contribution rates (none from employees) during the 2005-06 fiscal year are presented in Table 18.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$25,100,999, \$24,323,691, and \$26,643,733, respectively, which were equal to the required contributions for each fiscal year.

Table 16. Functional Expenses

Functional Classification	Amount (in thousands)
Instruction	\$ 534,863
Research	441,181
Public Service	134,959
Academic Support	109,949
Student Services	31,143
Institutional Support	95,643
Operations and Maintenance of Plant	90,644
Scholarships, Fellowships and Waivers	47,390
Auxiliary Operations	139,243
Depreciation	107,398
Total Operating Expenses	\$ 1,732,413

14 OPERATING LEASE COMMITMENTS

The University has long-term commitments for assets leased under operating lease agreements. These leased assets and the related commitments are not reported on the University's Statement of Net Assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations and not considered material.

15 CONSTRUCTION COMMITMENTS

The University's major construction commitments at June 30, 2006 are presented in Table 17.

Table 17. Construction Commitments

Project Name	Current Commitment	Expenses	Commitment Balance
O'Connell Center Fire Code Corrections	\$ 1,660,000	\$ 1,470,963	\$ 189,037
Cancer and Genetics Research Center	2,935,593	2,935,593	-
Broward Courts Phase II	2,432,000	2,158,858	273,142
Proton Therapy Institute located in Jacksonville, Florida	31,420,000	17,880,678	13,539,322
College of Medicine/JAX Biomedical Research Lab	3,233,439	110,553	3,122,886
Powell Structures & Materials Testing Laboratory	2,727,000	2,692,165	34,835
NIMET Nanoscale Research Facility (NRF)	35,151,600	2,119,908	33,031,692
George Steinbrenner Band Building	6,000,000	112,680	5,887,320
Kathryn Chicone Ustler Hall	4,947,000	4,022,622	924,378
Whitney Lab Marine Studies Classrooms	3,645,359	2,974,099	671,260
CREC Citrus Pathology Lab Renovations	2,301,698	549,229	1,752,469
Harrell Center Renovation	1,053,301	704,887	348,414
Murphree Hall Renovation	9,047,200	6,945,334	2,101,866
Hub Renovation	10,705,000	3,337,022	7,367,978
Indian River REC Biological and Agricultural Research	4,989,396	34,446	4,954,950
2004-05 PECO Maintenance, Repair, Life Safety, ADA, etc.	9,159,424	4,604,505	4,554,919
UF Brain Institute Renovations - AMRIS Facility	1,300,000	1,080,000	220,000
2004-05 Utilities/Infrastructure/Capital Renewal/Roofs	6,867,900	3,499,431	3,368,469
Biomedical Sciences Building	92,400,000	675,451	91,724,549
HR Facility Renovation	3,750,000	45,597	3,704,403
Campus Security Lighting	1,250,000	13,631	1,236,369
Graham Center at Pugh Hall	15,732,000	25,000	15,707,000
J. Wayne Reitz Student Union Renovation and Repairs	1,500,000	200,000	1,300,000
2005-06 PECO Maintenance, Repair, Life Safety, ADA, etc. (Campus Planning)	1,351,322	224,917	1,126,405
2005-06 PECO Maintenance, Repair, Life Safety, ADA, etc. (IFAS)	2,222,033	1,053,775	1,168,258
2005-06 PECO Maintenance, Repair, Life Safety, ADA, etc. (PPD)	4,300,366	950,067	3,350,299
2005-06 Utilities/Infrastructure/Capital Renewal/Roofs	14,032,536	531,288	13,501,248
Eastside Campus Renovations	2,600,000	2,530,436	69,564
Total	278,714,167	63,483,135	215,231,032
Projects Under \$1,000,000	42,132,376	31,395,696	10,736,680
Reversal of Accounts Payable at June 30, 2005		(12,411,336)	12,411,336
Total	\$ 320,846,543	\$ 82,467,495	\$ 238,379,048

Table 18. Florida Retirement System Rates

Class or Plan	Percent of Gross Salary*
Florida Retirement System, Regular	7.83%
Florida Retirement System, Senior Management Service	10.45%
Florida Retirement System, Special Risk	18.53%
Deferred Retirement Option Program-Applicable to members from all of the above classes or plan	9.33%

* Employer rates for each membership class include 1.11% for the post-employment health insurance subsidy (See Note 17). Also, employer rates, other than for DROP participants, include .05% for administrative costs of the Public Employee Optional Retirement Program.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based

on salary and membership class (Regular, Special Risk, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 1,087 University participants during the 2005-06 fiscal year. Required contributions made to the PEORP totaled \$2,431,849.

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

B. State University System Optional Retirement Program

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 10.43% of the participant's salary. A small amount remains in the Optional Retirement Program Trust Fund for administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by salary deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account.

There were 5,110 University participants during the 2005-06 fiscal year. Required employer contributions made to the Program totaled \$37,000,595 and employee contributions totaled \$18,337,460.

C. Institute of Food and Agricultural Sciences Supplemental Retirement

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

There were 83 University participants during the 2005-06 fiscal year. Required employer contributions made to the program totaled \$1,784,645 and employee contributions totaled \$470,406.

D. Other Retirement Programs

Some University employees participate in the Florida Teacher's Retirement System and the U.S. Civil Service Retirement System. Three employees were covered by the Florida Teacher's Retirement System during the 2005-06 fiscal year. Employer contributions totaled \$35,957, and employee contributions totaled \$21,174. Fifteen employees were covered by the U.S. Civil Service Retirement System during the 2005-06 fiscal year. Employer contributions totaled \$77,605, and employee contributions totaled \$77,605.

17 POST-EMPLOYMENT BENEFITS

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2005-06 fiscal year, the HIS program was funded by required contributions consisting of 1.11% assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in Table 18.

Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2005-06 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

18 RISK MANAGEMENT PROGRAMS

A. State Self-Insurance Funds

Pursuant to Section 1001.72(3), Florida Statutes, the University participates in State self-insurance programs providing insurance coverage for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2005-06 fiscal year, the State retained the first \$2

million of losses for each occurrence with an annual aggregate retention of \$40 million for wind and flood and \$5 million for perils other than wind and flood. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for wind, \$50 million for flood, and \$200 million for perils other than wind and flood; and losses exceeding those amounts were retained by the State. Payments on tort claims are limited to \$100,000 per person and \$200,000 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. The \$50 million wind coverage is \$35 million less than the coverage provided for the 2004-05 fiscal year. There have been no other significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

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

B. University Self-Insurance Programs

The J. Hillis Miller Health Science Center (JHMHC) Self-Insurance Program and the University of Florida JHMHC/Jacksonville Self-Insurance Program were established pursuant to Section 1004.24, Florida Statutes. The Self-Insurance Programs provide general and professional liability protection for the University on behalf of the six health colleges of the JHMHC, that also include the Student Health Service Auxiliary and the Veterinary Medical Teaching Hospital. Hospital professional liability protection, including patient

general liability, is provided to Shands Teaching Hospital and Clinics, Inc.; Shands Jacksonville Medical Center, Inc.; the Shands community hospitals in Starke, Lake City and Live Oak; and other statutorily permitted entities, which voluntarily participate in the Self-Insurance Programs. The University is protected for losses, which are subject to Section 768.28, Florida Statutes, including legislative claims bills, that in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1 million per claim. The Self-Insurance Programs provide \$2 million per-claim protection for the participants which are not subject to the provisions of Section 768.28, Florida Statutes. The per-claim limit of liability protection for the participants does not exceed \$2 million per claim in the event more than one protected entity is involved in the same claim or action.

Pursuant to Board of Governors Regulation 6C-10.001(2), the University of Florida Self-Insurance Program Councils have created the University of Florida Healthcare Education Insurance Company (HEIC), a captive insurance company which is wholly owned by the State's Board of Governors and domiciled in the State of Vermont. HEIC is managed by a Board of Directors created by the Florida Board of Governors. HEIC provides coverage for claims that are in excess of the protections afforded by the JHMHC Self-Insurance Program and the JHMHC/Jacksonville Self-Insurance Program at limits of \$4 million per-claim coverage for insured participants subject to Section 768.28, Florida Statutes, and \$3 million per claim for insured participants that are not subject to Section 768.28, Florida Statutes. HEIC provides additional limits of liability coverage of \$50 million per claim and in the aggregate, which is in excess of the coverages described above. The excess insurance is paid to claimants on a first come-first serve basis.

Claims settlement and adjustment expenses are accrued as expenses and liabilities of the University of Florida JHMHC Self-Insurance Program, inclusive of the University of Florida JHMHC Self-Insurance Program (Gainesville), the University of Florida JHMHC/Jacksonville Self-Insurance Program and University of Florida Healthcare Education Insurance Company, for the estimated settlement value of claims that is reported as a "Liability for Self-Insured Claims." The estimated settlement value of claims was determined based on the judgment and experience of management and the Self-Insurance Program

TABLE 19. Liability for Self-Insured Claims

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims/ Changes in Estimates	Claims Payments	Claims Liabilities End of Year
2004-05	\$ 54,080,468	\$ 18,361,642	\$ (7,239,590)	\$ 65,202,520
2005-06	65,202,520	26,301,281	(15,244,323)	76,259,478

Councils through a case-by-case review. Estimated losses from incurred but unreported incidents are accrued based upon the findings of casualty actuaries.

The amount of "Liability for Self-Insured Claims" accrued for the Self-Insurance Programs at June 30, 2006 was \$76,259,478 for compensatory losses and for allocated expenses. The "Liability for Self-Insured Claims" was accrued at an undiscounted present value.

The aggregate amount of claims liabilities for which annuity contracts have been purchased in the claimants' names, resulting in the removal of the related liabilities from the Statement of Net Assets, totals \$50,000 for the Self-Insurance Programs at June 30, 2006. These annuities have been assigned to third parties, and all claimants have fully and completely released trust fund participants from all actual and contingent liability.

Changes in the balances of claims liabilities for the Self-Insurance Programs during the 2004-05 and 2005-06 fiscal years are presented in Table 19.

19 LITIGATION

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

20 PRIOR PERIOD ADJUSTMENTS

Adjustments to beginning net assets are reported in accordance with Accounting Principles Board Opinion Nos. 9 and 20, and FASB Statement No. 16. The following adjustment was made to beginning net assets reported in the Statement of Revenues, Expenses, and Changes in Net Assets to correct a prior year accounting error:

The University of Florida leased certain buildings to Shands pursuant to a capital lease agreement in 1979. These buildings are recorded on the University's property records, although for financial statement reporting purposes they are considered an asset of Shands in accordance with governmental accounting and reporting standards for lease agreements. During the 2005-06 fiscal year, it was discovered that while the building cost had been removed for reporting purposes, the accumulated depreciation was still being reported by the University. The

accumulated depreciation was removed from the University's reporting records, increasing the University's invested in capital assets, net of related debt by \$51,022,336.

Because comparative data is presented within these financial statements, the depreciation expense reported for 2005 was reduced by \$1,925,204 and the beginning net assets for 2005 was increased by \$49,097,132, reflecting the total retroactive application of the prior period adjustment.

21 RESTATEMENT OF PRIOR YEAR'S OPERATING REVENUES AND OPERATING EXPENSES

During 2005-06 management decided to classify revenues and expenses of the University of Florida Self-Insurance Program (the Program) and the University of Florida Healthcare Education Insurance Company (HEIC) as from auxiliary enterprises, rather than from educational departments. Operating revenues and expenses for the 2004-05 fiscal year have been restated by \$23,979,817 and \$25,847,687, respectively.

22 COMPONENT UNITS

The University's component units, as discussed in Note 1, comprise 100% of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. Summary financial information from the most recently available audited financial statements for these component units is presented on the following pages in Tables 20, 21, and 22.

23 SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. Transportation and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Division of Housing provides safe, affordable, living space for students of the University of Florida. Several revenue bonds have been issued over the years to provide funding for the construction of facilities to house students of the University. A summary of the financial activity for these segments is presented in Table 23.

Table 20. Direct-Support Organizations
(amounts expressed in thousands)

	University of Florida Foundation 6/30/2006	University of Florida Research Foundation 6/30/2006	University of Florida Athletic Association 6/30/2006	Gator Boosters 6/30/2006	University of Florida Law Center Association 6/30/2006	Florida Foundation Seed Producers 6/30/2006
Condensed Statement of Net Assets						
Assets						
Due from Component Units/University	\$ -	\$ 57,795	\$ 2,892	\$ 5,217	\$ 4,995	\$ -
Other Current Assets	85,356	75,372	50,465	4,247	1,074	2,382
Capital Assets, Net	32,074	-	130,170	38	-	1,048
Other Noncurrent Assets	<u>1,218,641</u>	<u>1,512</u>	<u>34,742</u>	<u>449</u>	<u>338</u>	<u>-</u>
Total Assets	<u>1,336,071</u>	<u>134,679</u>	<u>218,269</u>	<u>9,951</u>	<u>6,407</u>	<u>3,430</u>
Liabilities						
Due to Component Units/University	63,953	13,762	119	5,140	-	979
Other Current Liabilities	9,151	28,167	54,689	299	43	37
Noncurrent Liabilities	<u>29,407</u>	<u>34,200</u>	<u>84,934</u>	<u>89</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>102,511</u>	<u>76,129</u>	<u>139,742</u>	<u>5,528</u>	<u>43</u>	<u>1,016</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	5,764	-	46,628	38	-	1,048
Restricted - Endowment	810,106	-	-	3,870	2,042	-
Restricted - Other	395,015	-	984	-	3,081	-
Unrestricted	<u>22,675</u>	<u>58,550</u>	<u>30,915</u>	<u>515</u>	<u>1,241</u>	<u>1,366</u>
Total Net Assets	<u>\$ 1,233,560</u>	<u>\$ 58,550</u>	<u>\$ 78,527</u>	<u>\$ 4,423</u>	<u>\$ 6,364</u>	<u>\$ 2,414</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets						
Operating Revenues	\$ 73,318	\$ 49,265	\$ 45,030	\$ 30,074	\$ 1,254	\$ 954
Operating Expenses	<u>(94,476)</u>	<u>(76,028)</u>	<u>(72,188)</u>	<u>(2,409)</u>	<u>(894)</u>	<u>(1,030)</u>
Operating Income (Loss)	(21,158)	(26,763)	(27,158)	27,665	360	(76)
Nonoperating Revenues (Expenses)						
Investment Income	120,738	6,070	2,642	875	532	50
Addition to Permanent Endowments	88,646	-	-	12	-	-
Other	-	798	(2,034)	-	204	19
Transfers from/(to) Component Units	<u>(2,678)</u>	<u>-</u>	<u>30,762</u>	<u>(28,526)</u>	<u>-</u>	<u>-</u>
Change in Net Assets	185,548	(19,895)	4,212	26	1,096	(7)
Net Assets, Beginning of Year	<u>1,048,012</u>	<u>78,445</u>	<u>74,315</u>	<u>4,397</u>	<u>5,268</u>	<u>2,421</u>
Net Assets, End of Year	<u>\$ 1,233,560</u>	<u>\$ 58,550</u>	<u>\$ 78,527</u>	<u>\$ 4,423</u>	<u>\$ 6,364</u>	<u>\$ 2,414</u>

<u>Florida 4-H Club Foundation 3/31/2006</u>	<u>Southwest Fla. Research and Education Foundation 6/30/2006</u>	<u>Citrus Research and Education Foundation 6/30/2006</u>	<u>Florida Leadership & Education Foundation 12/31/2005</u>	<u>Treasure Coast Agricultural Research Foundation 6/30/2006</u>	<u>University of Florida Alumni Association 6/30/2006</u>	<u>University of Florida Investment Corporation 6/30/2006</u>	<u>Total Direct Support Organizations</u>
\$ 2,477	\$ -	\$ 24	\$ 2,691	\$ -	\$ -	\$ -	\$ 76,091
1,817	44	560	1,179	180	-	739	223,415
-	129	16	-	2	-	99	163,576
<u>118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,255,800</u>
<u>4,412</u>	<u>173</u>	<u>600</u>	<u>3,870</u>	<u>182</u>	<u>-</u>	<u>838</u>	<u>1,718,882</u>
-	-	-	-	-	-	-	83,953
158	14	2	855	-	-	567	93,982
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173</u>	<u>148,803</u>
<u>158</u>	<u>14</u>	<u>2</u>	<u>855</u>	<u>-</u>	<u>-</u>	<u>740</u>	<u>326,738</u>
-	129	16	-	2	-	99	53,724
2,404	-	-	2,232	-	-	-	820,654
1,243	-	-	-	-	-	-	400,323
<u>607</u>	<u>30</u>	<u>582</u>	<u>783</u>	<u>180</u>	<u>-</u>	<u>(1)</u>	<u>117,443</u>
<u>\$ 4,254</u>	<u>\$ 159</u>	<u>\$ 598</u>	<u>\$ 3,015</u>	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ 1,392,144</u>
\$ 2,087	\$ 24	\$ 429	\$ 1,951	\$ 35	\$ 1,486	\$ -	\$ 205,907
<u>(1,981)</u>	<u>(51)</u>	<u>(186)</u>	<u>(2,107)</u>	<u>(11)</u>	<u>(4,164)</u>	<u>(1,356)</u>	<u>(256,881)</u>
106	(27)	243	(156)	24	(2,678)	(1,356)	(50,974)
358	2	3	237	3	-	12	131,522
215	-	-	12	-	-	-	88,885
22	-	-	-	46	-	-	(945)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,678</u>	<u>1,361</u>	<u>3,597</u>
701	(25)	246	93	73	-	17	172,085
<u>3,553</u>	<u>184</u>	<u>352</u>	<u>2,922</u>	<u>109</u>	<u>-</u>	<u>81</u>	<u>1,220,059</u>
<u>\$ 4,254</u>	<u>\$ 159</u>	<u>\$ 598</u>	<u>\$ 3,015</u>	<u>\$ 182</u>	<u>\$ -</u>	<u>\$ 98</u>	<u>\$ 1,392,144</u>

Table 21. Health Science Center Affiliates*(amounts expressed in thousands)*

	Florida Clinical Practice Association 6/30/2006	University of Florida Jacksonville Physicians 6/30/2006	Faculty Associates 6/30/2006	Florida Health Professions Association 6/30/2006
Condensed Statement of Net Assets				
Assets				
Due from Component Units/University	\$ 17,936	\$ 5,063	\$ 1,047	\$ 134
Other Current Assets	43,313	53,984	6,519	2,450
Capital Assets, Net	4,033	7,970	-	-
Other Noncurrent Assets	<u>36,904</u>	<u>132</u>	<u>-</u>	<u>20</u>
Total Assets	<u>102,186</u>	<u>67,149</u>	<u>7,566</u>	<u>2,604</u>
Liabilities				
Due to Component Units/University	-	7,129	-	-
Other Current Liabilities	14,938	19,443	1,522	719
Noncurrent Liabilities	<u>15,870</u>	<u>16,089</u>	<u>-</u>	<u>1,166</u>
Total Liabilities	<u>30,808</u>	<u>42,661</u>	<u>1,522</u>	<u>1,885</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,592	(3,274)	-	-
Restricted	-	-	-	-
Unrestricted	<u>67,786</u>	<u>27,762</u>	<u>6,044</u>	<u>719</u>
Total Net Assets	<u>\$ 71,378</u>	<u>\$ 24,488</u>	<u>\$ 6,044</u>	<u>\$ 719</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 219,050	\$ 144,227	\$ 19,047	\$ 8,297
Operating Expenses	<u>(151,746)</u>	<u>(147,941)</u>	<u>(11,134)</u>	<u>(3,094)</u>
Operating Income (Loss)	67,304	(3,714)	7,913	5,203
Nonoperating Revenues (Expenses)				
Investment Income	917	1,013	97	60
Other	(85,790)	(3,793)	(8,602)	(42)
Transfers from/(to) Component Units	<u>25,514</u>	<u>9,752</u>	<u>1,864</u>	<u>(4,956)</u>
Change in Net Assets	7,945	3,258	1,272	265
Net Assets, Beginning of Year	<u>63,433</u>	<u>21,230</u>	<u>4,772</u>	<u>454</u>
Net Assets, End of Year	<u>\$ 71,378</u>	<u>\$ 24,488</u>	<u>\$ 6,044</u>	<u>\$ 719</u>

Nursing Faculty Practice Association 6/30/2006	Pharmacy Faculty Practice Association 6/30/2006	Veterinary Medicine Faculty Association 6/30/2006	University of Florida Jacksonville Healthcare 6/30/2006	Faculty Clinic 6/30/2006	Jacksonville Health Education Programs (Unaudited) 9/30/2005	Total Health Science Center Affiliates
\$ 74	\$ 823	\$ 200	\$ 1,582	\$ -	\$ -	\$ 26,859
3,125	198	3,987	258	2,222	-	116,056
-	-	-	2,848	4,102	-	18,953
973	-	-	-	1,613	-	39,642
<u>4,172</u>	<u>1,021</u>	<u>4,187</u>	<u>4,688</u>	<u>7,937</u>	<u>-</u>	<u>201,510</u>
-	-	-	2,614	16	-	9,759
39	60	703	1,705	73	-	39,202
-	-	-	-	6,300	-	39,425
<u>39</u>	<u>60</u>	<u>703</u>	<u>4,319</u>	<u>6,389</u>	<u>-</u>	<u>88,386</u>
-	-	-	2,848	(2,198)	-	968
-	-	-	-	1,500	-	1,500
4,133	961	3,484	(2,479)	2,246	-	110,656
<u>\$ 4,133</u>	<u>\$ 961</u>	<u>\$ 3,484</u>	<u>\$ 369</u>	<u>\$ 1,548</u>	<u>\$ -</u>	<u>\$ 113,124</u>
\$ 881	\$ 74	\$ 5,354	\$ 327	\$ 418	\$ -	\$ 397,675
(504)	(107)	(928)	(16,523)	(1,204)	-	(333,181)
377	(33)	4,426	(16,196)	(786)	-	64,494
91	32	68	-	117	-	2,395
1	-	(4,290)	(10)	(191)	(385)	(103,102)
-	11	-	16,206	887	-	49,278
469	10	204	-	27	(385)	13,065
3,664	951	3,280	369	1,521	385	100,059
<u>\$ 4,133</u>	<u>\$ 961</u>	<u>\$ 3,484</u>	<u>\$ 369</u>	<u>\$ 1,548</u>	<u>\$ -</u>	<u>\$ 113,124</u>

Table 22. Shands Teaching Hospital and Others
(amounts expressed in thousands)

	Shands Teaching Hospital & Clinics 6/30/2006	Baby Gator Childcare Center 6/30/2006	University Village Apartments 6/30/2006	Total Shands Teaching Hospital and Others
Condensed Statement of Net Assets				
Assets				
Due from Component Units/University	\$ 7,818	\$ 217	\$ 54	\$ 8,089
Other Current Assets	563,877	114	109	564,100
Capital Assets, Net	639,138	32	846	640,016
Other Noncurrent Assets	<u>266,700</u>	<u>-</u>	<u>813</u>	<u>267,513</u>
Total Assets	<u>1,477,533</u>	<u>363</u>	<u>1,822</u>	<u>1,479,718</u>
Liabilities				
Due to Component Units/University	8,207	-	-	8,207
Other Current Liabilities	234,860	70	363	235,293
Noncurrent Liabilities	<u>461,784</u>	<u>-</u>	<u>634</u>	<u>462,418</u>
Total Liabilities	<u>704,851</u>	<u>70</u>	<u>997</u>	<u>705,918</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	220,671	32	102	220,805
Restricted - Endowments	155	-	-	155
Restricted - Other	3,167	-	-	3,167
Unrestricted	<u>548,689</u>	<u>261</u>	<u>723</u>	<u>549,673</u>
Total Net Assets	<u>\$ 772,682</u>	<u>\$ 293</u>	<u>\$ 825</u>	<u>\$ 773,800</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 1,549,527	\$ 1,111	\$ 1,218	\$ 1,551,856
Operating Expenses	<u>(1,423,688)</u>	<u>(1,143)</u>	<u>(1,308)</u>	<u>(1,426,139)</u>
Operating Income (Loss)	125,839	(32)	(90)	125,717
Nonoperating Revenues (Expenses)				
Investment Income	18,420	12	4	18,436
Addition to Permanent Endowments	985	-	-	985
Other	(17,237)	-	(24)	(17,261)
Transfers from/(to) Component Units	<u>(32,596)</u>	<u>-</u>	<u>-</u>	<u>(32,596)</u>
Change in Net Assets	95,411	(20)	(110)	95,281
Net Assets, Beginning of Year	<u>677,271</u>	<u>313</u>	<u>935</u>	<u>678,519</u>
Net Assets, End of Year	<u>\$ 772,682</u>	<u>\$ 293</u>	<u>\$ 825</u>	<u>\$ 773,800</u>

Table 23. Segment Information

	Transportation and Parking Services	Division of Housing
CONDENSED STATEMENT OF NET ASSETS		
Assets		
Current Assets	\$ 4,504,519	\$ 11,915,584
Capital Assets, Net	30,963,724	60,329,936
Other Noncurrent Assets	<u>3,362,760</u>	<u>5,149,025</u>
Total Assets	<u>38,831,003</u>	<u>77,394,545</u>
Liabilities		
Current Liabilities	4,611,608	5,531,422
Noncurrent Liabilities	<u>16,556,263</u>	<u>59,247,672</u>
Total Liabilities	<u>21,167,871</u>	<u>64,779,094</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,448,432	5,088,565
Restricted	3,014,215	3,831,653
Unrestricted	<u>2,200,485</u>	<u>3,695,233</u>
Total Net Assets	<u>\$ 17,663,132</u>	<u>\$ 12,615,451</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS		
Operating Revenues (Expenses):		
Operating Revenues	\$ 14,730,580	\$ 36,456,873
Depreciation Expense	(1,849,034)	(3,665,579)
Other Operating Expenses	<u>(10,716,623)</u>	<u>(28,164,338)</u>
Operating Income (Loss)	<u>2,164,923</u>	<u>4,626,956</u>
Nonoperating Revenues (Expenses):		
Investment Income	242,149	910,714
Interest Expense	(985,517)	(2,405,244)
Other	(132,686)	(2,499,562)
Capital Related Expenses	-	(3,185,817)
Transfers	<u>(744,649)</u>	<u>(22,116)</u>
Net Nonoperating Revenues (Expenses)	(1,620,703)	(7,202,025)
Change in Net Assets	544,220	(2,575,069)
Net Assets, Beginning of Year	<u>17,118,912</u>	<u>15,190,520</u>
Net Assets, End of Year	<u>\$ 17,663,132</u>	<u>\$ 12,615,451</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 3,948,433	\$ 8,399,776
Noncapital Financing Activities	(684,152)	(3,695,429)
Capital and Related Financing Activities	(2,760,968)	(9,361,057)
Investing Activities	<u>(598,776)</u>	<u>2,944,905</u>
Net Decrease in Cash and Cash Equivalents	(95,463)	(1,711,805)
Cash and Cash Equivalents, Beginning of Year	<u>97,863</u>	<u>13,184,213</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,400</u>	<u>\$ 11,472,408</u>

Table 24. Financial Summary by Budget Entity For the Fiscal Year Ended June 30, 2006 (unaudited)
(amounts expressed in thousands)

	Education and General			Health Science Center		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
REVENUES						
Student Tuition and Fees	\$ 234,047	\$ -	\$ 234,047	\$ 21,044	\$ -	\$ 21,044
Scholarship Allowance	(102,868)	-	(102,868)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	131,179	-	131,179	21,044	-	21,044
Federal Grants and Contracts	-	66,500	66,500	-	171,352	171,352
State and Local Grants and Contracts	7,432	(14,996)	(7,564)	-	27,906	27,906
Nongovernmental Grants and Contracts	1,489	71,416	72,905	3,740	220,215	223,955
Sales and Services of Auxiliary Enterprises	100,980	-	100,980	32,566	-	32,566
Sales and Services of Educational Departments	31,854	178	32,032	18,376	60	18,436
Interest on Loans and Notes Receivable	-	573	573	-	153	153
Other Operating Revenues	299	373	672	(189)	29	(160)
Total Operating Revenues	273,233	124,044	397,277	75,537	419,715	495,252
EXPENSES						
Operating Expenses:						
Personnel Services	463,685	92,620	556,305	133,171	271,322	404,493
Supplies and Other Services	138,330	64,678	203,008	24,738	68,452	93,190
Utilities and Communications	49,819	1,684	51,503	1,639	1,270	2,909
Scholarships, Fellowships and Waivers	23,737	31,897	55,634	1,446	5,847	7,293
Depreciation	-	76,307	76,307	-	21,200	21,200
Self-Insured Claims and Expenses	-	-	-	23,612	-	23,612
Total Operating Expenses	675,571	267,186	942,757	184,606	368,091	552,697
Operating Income (Loss)	(402,338)	(143,142)	(545,480)	(109,069)	51,624	(57,445)
NONOPERATING REVENUES (EXPENSES)						
State Appropriations	374,098	-	374,098	92,732	-	92,732
Federal and State Financial Aid	-	96,956	96,956	-	57	57
Investment Income (Loss)	7,063	8,931	15,994	2,973	-	2,973
Interest on Capital Asset-Related Debt	(35)	(5,261)	(5,296)	(27)	(8)	(35)
Other Nonoperating Revenues (Expenses)	(814)	(5,901)	(6,715)	(277)	(256)	(533)
Net Nonoperating Revenues (Expenses)	380,312	94,725	475,037	95,401	(207)	95,194
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(22,026)	(48,417)	(70,443)	(13,668)	51,417	37,749
Capital Appropriations	-	68,716	68,716	-	-	-
Capital Grants, Contracts and Donations	-	41,744	41,744	-	1,264	1,264
Transfers within University	(166,985)	162,308	(4,677)	20,535	(34,957)	(14,422)
Gain/(Loss) on Disposal of Capital Assets	-	(2,370)	(2,370)	-	(1,517)	(1,517)
Total Other Revenues , Expenses, Gains, or Losses	(166,985)	270,398	103,413	20,535	(35,210)	(14,675)
Increase (Decrease) in Net Assets	\$ (189,011)	\$ 221,981	\$ 32,970	\$ 6,867	\$ 16,207	\$ 23,074

Institute of Food and Agricultural Science			Summary for University		
Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
\$ 282	\$ -	\$ 282	\$ 255,373	\$ -	\$ 255,373
-	-	-	(102,868)	-	(102,868)
282	-	282	152,505	-	152,505
-	46,501	46,501	-	284,353	284,353
-	15,776	15,776	7,432	28,686	36,118
1,292	23,915	25,207	6,521	315,546	322,067
-	-	-	133,546	-	133,546
2,355	550	2,905	52,585	788	53,373
-	-	-	-	726	726
23	(2)	21	133	400	533
3,952	86,740	90,692	352,722	630,499	983,221
125,814	41,401	167,215	722,670	405,343	1,128,013
17,882	26,812	44,694	180,950	159,942	340,892
9,037	435	9,472	60,495	3,389	63,884
3,310	2,377	5,687	28,493	40,121	68,614
-	9,891	9,891	-	107,398	107,398
-	-	-	23,612	-	23,612
156,043	80,916	236,959	1,016,220	716,193	1,732,413
(152,091)	5,824	(146,267)	(663,498)	(85,694)	(749,192)
129,484	-	129,484	596,314	-	596,314
-	-	-	-	97,013	97,013
159	120	279	10,195	9,051	19,246
(11)	-	(11)	(73)	(5,269)	(5,342)
3,808	4	3,812	2,717	(6,153)	(3,436)
133,440	124	133,564	609,153	94,642	703,795
(18,651)	5,948	(12,703)	(54,345)	8,948	(45,397)
-	-	-	-	68,716	68,716
-	-	-	-	43,008	43,008
23,786	(4,687)	19,099	(122,664)	122,664	-
-	(775)	(775)	-	(4,662)	(4,662)
23,786	(5,462)	18,324	(122,664)	229,726	107,062
\$ 5,135	\$ 486	\$ 5,621	\$ (177,009)	\$ 238,674	\$ 61,665

FINANCIAL AID ADMINISTERED for the Fiscal Year Ended June 30, 2006 (unaudited)

	2005-06 Number of Recipients	Aid Disbursed
Federal Programs		
Pell Grants	7,793	\$ 20,067,707
Supplemental Educational Opportunity Grants	1,888	2,283,670
Perkins Student Loans	2,722	8,203,712
Health Professions Student Loans (PCL, LDS, HPSL)	66	456,243
Direct Loans	<u>18,014</u>	<u>151,238,346</u>
Total Federal Financial Aid Administered	<u>30,483</u>	<u>\$ 182,249,678</u>
State Programs		
Loans:		
University of Florida Short Term Loans	631	\$ 574,794
Student Aid For Education(SAFE) Loans	239	390,380
University of Florida Long Term Loans	<u>195</u>	<u>547,826</u>
Total Loans Administered	<u>1,065</u>	<u>1,513,000</u>
Scholarships and Grants		
Racing	438	503,599
State of Florida Financial Aid Programs	30,329	76,092,424
Lottery Trust Grant Funded Waivers	<u>719</u>	<u>1,198,042</u>
Total State Scholarships and Grants Administered	<u>31,486</u>	<u>77,794,065</u>
Total State Financial Aid Administered	<u>32,551</u>	<u>\$ 79,307,065</u>
Other Scholarships and Grants:		
Institutional Grants		
College Awarded Scholarships	15,872	34,367,934
Graduate Tuition Remission Waivers	7,805	9,440,868
General Scholarships	<u>6,857</u>	<u>13,421,460</u>
Total Institutional Grants	<u>30,534</u>	<u>57,230,262</u>
Custodial Scholarships		
Tuition, Trusts, Clubs, Service Organizations, etc.	<u>4,648</u>	<u>7,949,242</u>
Total Other Scholarships and Grants	<u>35,182</u>	<u>\$ 65,179,504</u>
Fee Waivers:		
Non-Resident Tuition Waivers	1,309	\$ 5,885,614
Other Waivers	<u>9,562</u>	<u>19,358,449</u>
Total Fee Waivers Administered	<u>10,871</u>	<u>\$ 25,244,063</u>
Total Financial Aid Administered		<u>\$ 351,980,310</u>

UNIVERSITY OF FLORIDA ANNUAL FINANCIAL REPORT 2005-06

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