

ANNUAL

FINANCIAL

REPORT

2006-07



UF UNIVERSITY of
FLORIDA

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his report presents, in monetary terms, the operating progress of the University of Florida. But as we consider contributions to the bottom line, it is important to also reflect upon the university's contributions to a considerably more compelling account ... the sustainability of our environment and quality of life.

J. Bernard Machen
President





*Introduction from
the President,
J. Bernard Machen*

If sustainability wasn't on your radar before, you could hardly avoid it this past year.

The governors of New York, California and Florida all announced major new policies to boost energy efficiency and reduce pollution. Gas topped \$3 per gallon and stayed there. Predictions about global climate change grew even more alarming. Suddenly, it seemed, reducing the human footprint on the earth's fragile ecosystems took front and center stage in our national public policy debate.

Fortunately, the University of Florida is ahead of the pack in this area. Thanks to the work of the UF Sustainability Committee and the Office of Sustainability, what began as a small movement among a handful of faculty and graduate students in the mid-1990s has in recent years become a university-wide campaign.

I want to focus on our achievements in sustainability over the past year — and on the challenges that lie ahead.

Broadly defined, sustainability means meeting the needs of the present without compromising the ability of future generations to provide for themselves. Achieving sustainability — or making progress toward that goal — involves rethinking everything we do, from the energy we consume to the food we eat to how we get around.

We made advancements in all those goals plus other areas this past year.

We expanded our purchase of locally grown foods — important because it cuts transportation miles for food trucked to our campus and helps us support local workers and the local economy. As much as 30 percent of the food served at two popular UF dining halls, Fresh Foods and Gator Corner, is now locally grown or produced.

We continued to “green” our buildings. So far we have eight buildings that meet national Leadership in Energy and Environmental Design, or LEED, standards. We are submitting four others for certification, while six new buildings under construction are expected to be LEED green buildings. Meanwhile, we installed a living “green roof” above the new Perry Construction yard.

We continued to slim down our carbon quotient related to transportation. Today, our fleet includes 9 electric vehicles, 18 hybrids and 83 flex-fuel vehicles. Meanwhile, nearly 300 people participate in the car-share program Flexcar and the use of our bus system has climbed to an amazing 9 million rides a year.

We have scored achievements in other areas, as well. On our grounds, visiting butterflies can now flit to no less than 12 butterfly gardens. We reprocess more than 300 gallons of used cooking oil into biodiesel monthly, with plans to scale this amount up to 1,600 gallons soon. As part of our new game-day recycling program, we collected more than 26,000 pounds of recyclables in the first four football games alone. We also were the first university in the nation to seek to make a football game, UF versus FSU, carbon neutral by offsetting the carbon with forested land.

So, our grounds, buildings and transportation are greener this year. All of this moves us forward in this grand endeavor. But we have a problem, which is that we don't yet have a precise idea where we are headed. The more we answer the easy questions, the more obvious the harder ones become.

How sustainable, really, do we want this university to become? We need to think this through carefully. What changes are we willing to accept with regard to cars, scooters or buses on campus?

New York City Mayor Michael Bloomberg has proposed an \$8 congestion fee for cars entering Manhattan. Might we want a car-free campus core here at UF? What about our comfort level when it comes to air temperature, water consumption, lighting and building materials?

What are we willing to spend on conservation or environmental upgrades compared with classrooms and other physical infrastructure? We have seen some interest among students this year in making UF's investments more transparent. How much weight do we want to give sustainability in our investment decisions?

To get a grip on these questions, the Office of Sustainability is coordinating meetings this year aimed at crafting a sustainability vision for this university. This work involves everyone, from the Board of Trustees to faculty, staff and students. Across campus, people are meeting in 15 focus areas, such as transportation, dining and procurement.

This spring, the committee will compile reports from these meetings into a comprehensive and inclusive sustainability vision. That document will guide us as we develop policies to move forward.

As this process continues, I want to stress that we owe it to ourselves and to our community not to limit our ambitions during these discussions.

Universities have a long tradition of serving as nurseries for progressive and forward-thinking ideas. We must maintain that tradition with regard to sustainability, so essential to our own health and the health of the planet.

In the long run, it may turn out that our greatest impact may not be what we do here on campus, but rather what we inspire in the world.



J. Bernard Machen
President

I am pleased to present the University of Florida Annual Financial Report for 2006-07. 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 \$2.4 billion, an 11.4-percent increase when compared to 2005-06. 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 the year.

Like many other large institutions and corporations, the University of Florida is working to integrate principles of sustainability into all of our management processes, and you will find examples of that integration throughout this report. We no longer approach sustainability as an add-on capability, but view sustainable management as a new way of doing business that touches every department.

The Division of Business Affairs considers how the externalized costs of doing business, such as air pollution and traffic congestion, affect our community. Transitions to cleaner-burning fuels in fleet vehicles, fleet consolidation, and incentive programs for alternative commuting are under way.

For example, the University's sustainable purchasing policy is already helping guide University procurement in ways that help local suppliers and minimize negative impacts on the environment and society. In one area, decreasing the amount of packaging that comes to campus and negotiating the best prices for computers, printers and appliances that meet energy efficiency and waste minimization standards will reduce costly waste streams.

More than 90 percent of the University's irrigation water is also being reclaimed from our campus wastewater treatment facility. Low-impact landscape design is both beautiful and minimizes maintenance costs. The design also works to enhance the landscape's natural filtration capacity, thus reducing storm water runoff.

New construction on campus is being built to Leadership in Energy and Environmental Design standards and existing campus buildings are being re-commissioned to optimize efficiency in operations. Competitively priced, low-toxicity cleaning products decrease our employees' exposure to harmful chemicals as well as associated health risks.

Clearly we are proud of the University's commitment to sustainability, not only in terms of our campus-wide initiatives, but also in the significant contributions made by UF researchers in the quest for a sustainable future for all of mankind.



*Introduction from
the Vice President for
Business Affairs,
Ed Poppell*

A handwritten signature in black ink that reads "Ed Poppell". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Ed Poppell
*Vice President
for Business Affairs*



SUSTAINABILITY

...from RESEARCH to REALITY

As populations around the world continue to grow and concerns deepen regarding issues such as climate change, energy independence and scarcity of natural resources, the importance of finding sustainable solutions becomes everyone's responsibility.

The University of Florida has a special obligation to meet these challenges, since the values, knowledge and skills we impart to our students will greatly influence the kind of citizens and leaders they become following graduation.

We believe that meeting sustainability challenges means looking at the issues with a new perspective — one that focuses on three interdependent areas of con-

cern: the environment, the economy and society. Historically these three elements have existed in opposition, but by working to integrate and balance the three, UF researchers promote a healthy, long-range vision for our campus, the state of Florida, our nation and the world.

University of Florida sustainability programs and initiatives

Sustainability permeates every facet of the university, from pure research to the development of viable technologies to seeding new businesses that can leverage the technology into practical, functioning commercial operations. The university also is committed to sustainable practices all across campus. The following

are a few examples of research, initiatives and programs currently under way at UF.

Energy

A significant advancement toward energy independence was achieved through the work of UF researcher Lonnie Ingram, who invented the unique process for converting plant material into alternative fuel. Through his remarkable process, sugarcane, grasses and wood waste can all be converted to energy, and it is estimated that 10 billion gallons of fuel could be produced annually from resources such as yard waste currently going into landfills.

The sun is another energy source offering great promise, and among other advancements, UF researchers are pioneering excep-



tionally thin and inexpensive organic solar cells that create easy-to-use, flexible battery chargers. These scientists also see a future where roof tiles, paint and even fabric can produce energy.

A resurgence in nuclear energy is under way in this country, and many feel it is critical to solving major problems facing humankind over the next 50 years. UF's nuclear engineering department — one of only a few in the country and the state's only — is ranked in the top 10 in the nation.

Population Growth

Florida's dramatic population growth taxes both natural resources and the state's ability to generate sufficient energy. Innovative developments in architecture and building construction at UF have led to model com-



munities that illustrate the strong economic case for “green” development by saving on permitting and construction costs and fetching market-leading sales prices. A return to communities that promote green spaces, recreational opportunities and social interaction fosters a high quality of life for residents.

In her book *The Green Braid: Towards an Architecture of Ecology, Economy and Equity*, UF professor Kim Tanzer examines the three key facets of sustainability as they combine with the discipline of architecture. “The built environment, created over a period of centuries by architects, landscape architects, interior designers, city and regional planners, and constructors, accounts for many of the urgent problems we face today, including increasing

energy use, planetary toxicity, the effects of poverty, and resource depletion and waste. Understanding and reversing these impacts in their economic, ecological and human dimensions is a key role for leaders in all the design disciplines,” Tanzer wrote.

To promote the adoption of best design, construction and management practices in new residential community developments, the Program for Resource Efficient Communities (PREC) was created. The practices promoted by PREC measurably reduce energy and water consumption, as well as environmental degradation. PREC staff work with designers, builders and developers to bring expertise in water, energy, wildlife, forestry, construction and landscaping to Florida’s growing development industry.

Agriculture

The economic impact of Florida’s agricultural economy is estimated at \$97 billion annually, and the university’s Institute of Food and Agricultural Sciences (IFAS) plays a significant role in the agriculture of Florida and beyond. IFAS is a federal, state and local government partnership dedicated to developing knowledge in agriculture, human and natural resources and the life sciences, and to make that knowledge accessible to sustain and enhance the quality of human life. IFAS promotes diverse and sustainable agricultural practices that encourage the protection of farmland and the rural environment through research programs such as those facilitated by the UF/IFAS Center for Organic Agriculture. IFAS/Extension, which has units in all of Florida’s 67 counties, has many award-winning resources that facilitate sustainable living, including the Florida Yards & Neighborhoods program, Integrated Pest Management Florida, the Program for Resource Efficient Communities, the Bushnell Center for Urban Sustainability and the Solutions for Your Life website.

The College of Agricultural and Life Sciences, or CALS, administers the degree programs of the institute, educating

“UF is one of the top five public universities in transferring technology to the commercial sector for public benefit.”



THE ROOF OF THE CHARLES R. PERRY CONSTRUCTION YARD BUILDING CONTAINS SOIL AND GROWING PLANTS. THE ROOF HELPS REDUCE STORM RUNOFF, INSULATES THE BUILDING AGAINST HEAT AND SOUND, AND IMPROVES THE AESTHETIC VALUE OF THE BUILDING.



students through courses such as Sustainable Agriculture Systems Analysis, and Agricultural and Resource Ethics, and even through majors such as Organic Agriculture. CALS is an educational leader in the areas of food, agriculture, natural resources and life sciences.

Technology Transfer

University of Florida contributions to sustainability extend well beyond the laboratory. Through highly successful business incubator initiatives and the efforts of our Office of Technology Licensing, UF is one of the top five public universities in transferring technology to the commercial sector for public benefit. Three UF incubators that are helping take discoveries from lab to market include the Sid Martin Biotechnology Development Incubator, the Gainesville Technology Enterprise Center and the Energy Technology Incubator. Some 80 biotechnology companies have emerged from university research initiatives, contributing an estimated half billion dollars annually to Florida's economy. In fact, in just the past few years, energy research at UF has attracted more than \$70 million from the U.S. Department of Energy and \$10 million from NASA.

Planning for the Future

In order to create a sustainable energy future and address the state's growing energy needs, the university developed the Florida Institute for Sustainable Energy, which brings together all of our energy research capabilities, encompassing more than 150 faculty members and 22 UF energy research centers. To ensure research becomes reality, the institute also created the Energy Technology Incubator, which accelerates commercialization of energy technologies and processes, resulting in the creation of new high-tech industries.



Sustainability on the UF campus

As the third-largest university in the U.S., we consume significant resources on campus. Beginning in 2004, the university pledged to build all new construction to Leadership in Energy and Environmental Design, or LEED, standards. These principles dictate high requirements for energy, water and materials efficiency, with minimum impacts on local ecosystems. LEED buildings also save on operational and maintenance costs over the life of the structures. So far, 18 campus buildings have been or are being constructed to the standards, including two Gold-certified buildings, and UF has begun to renovate historic buildings to the standards, as well.

Construction standards also include a commitment to the health and well being of the buildings' occupants and visitors to UF. Low toxicity in materials, finishes, furniture and cleaning supplies used to service the buildings highlights the importance of wellness to sustainability.

The university is committed to achieving zero waste by 2015. Nearly 40 percent of

solid waste is currently recycled, about 60 percent of deconstruction waste is reclaimed and recycled, best practices in research waste are followed and more than 26,000 pounds of recyclable materials were collected in the first four football games of 2006 alone.

Numerous transportation incentives also are being provided to encourage walking, cycling, ride-sharing and public transportation. The university also is developing a comprehensive suite of alternatives to single-occupancy vehicle travel, and the UF campus fleet includes a sizable number of hybrid and alternative-fuel vehicles.

As you can see, our commitment to sustainability encompasses a wide spectrum, from alternative energy to energy-efficient building and development practices, sustainable agriculture and protection of the natural environment. And while our researchers continue to make significant breakthroughs in each of these areas, the real benefit can be found in the university's ability to marshal its discoveries from conceptual to actual – from the laboratory to functioning technology that delivers genuine benefits to mankind.

RESEARCH, TEACHING, and SERVICE...

the interlocking missions of the University of Florida.

Educating students 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 not only fulfills the university's obligation to use its knowledge and skills to benefit the public welfare but also ingrains a tradition of public service in students.



University of Florida students are among the country's best, brightest and most diverse

Approximately 90 percent of incoming freshmen score above the national average on standardized college entrance exams, and many prestigious scholarship programs are awarded to University of Florida students annually. Past awards include a Rhodes, Mitchell, several Udalls and Trumans, many Fulbright Fellowships and others. The University of Florida has received more International Baccalaureate transcripts than any other institution in the world. The freshman class retention rate of 94 percent speaks to the outstanding quality of the university's entire academic experience.

Preliminary Fall 2007 enrollment figures for the university include more than 42,000 in-state students, representing all Florida

counties. UF students also represent the 49 remaining states, the District of Columbia, Puerto Rico and the Virgin Islands.

UF has approximately 3,000 international students representing more than 100 countries.

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, fourth for awarding bachelor's degrees to African-American students and first in professional degrees awarded to African Americans. Approximately 25 percent of the University of Florida student body members are minorities.

The University of Florida offers a vast array of programs on its single campus

The university comprises 16 colleges and more than 150 research, service and education centers, bureaus 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



freshmen 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.

A distinguished and highly honored faculty

The distinguished faculty of the University of Florida attracted more than \$583 million in research and training grants for 2006-07, up 12.5 percent from the previous record-breaking year. The university faculty, which numbers more than 4,000, now has 62 Eminent Scholar Chairs, and more than two dozen faculty members have been elected to the National Academies of Science and/or Engineering, the Institute of Medicine, or a



“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.”

counterpart in another nation. The University of Florida also remains in the top 20 among all public universities as ranked by *U.S. News & World Report*.

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.

Honored UF faculty, past and present, include Pulitzer Prize winners, 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.

The University of Florida is a world leader in research

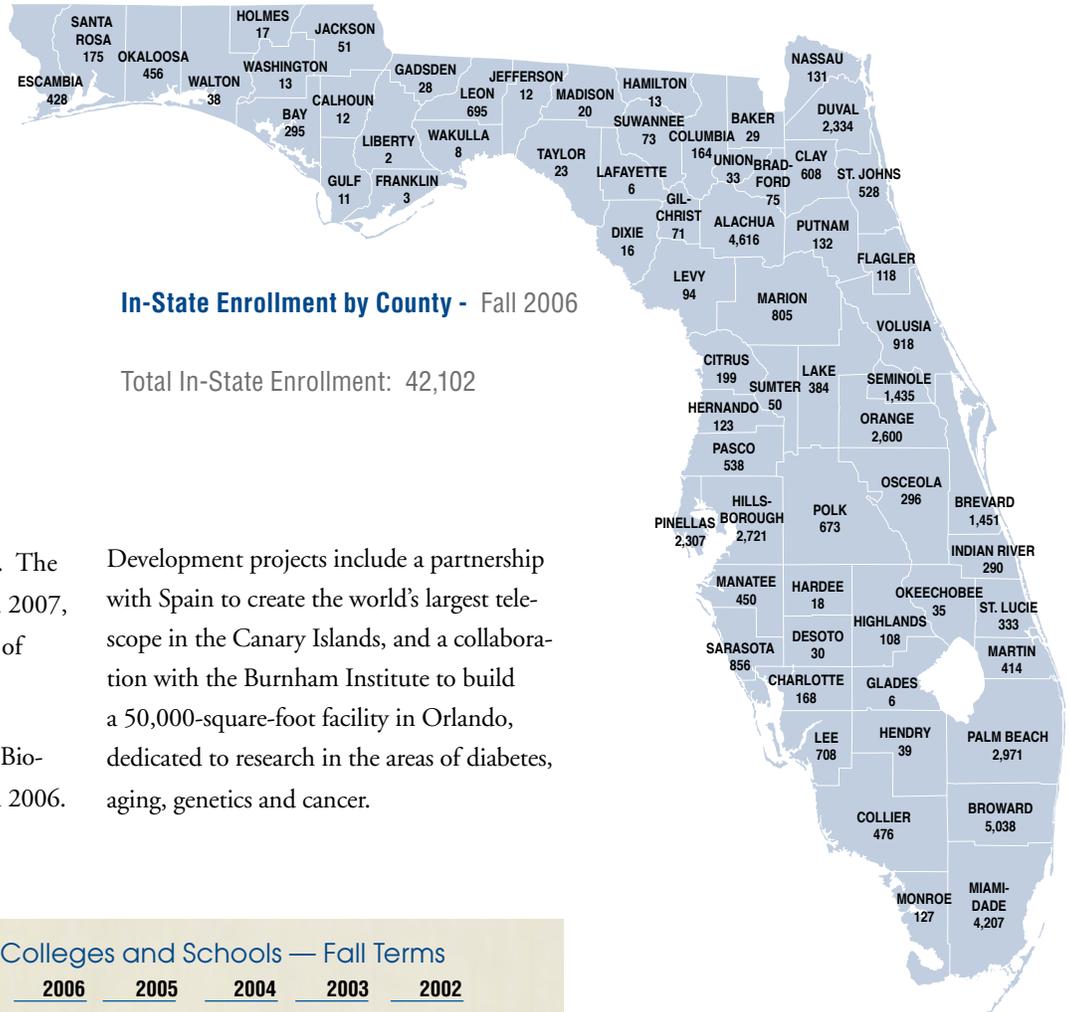
UF researchers contribute significantly to nearly every field of endeavor. They have pioneered new therapies and better treatments in the fights against aging and disease. They have developed renewable energy sources that offer great promise in reducing our dependence on fossil fuels. They have engineered healthier foods, more 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.

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.

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, biotechnology companies that have emerged from university research initiatives contribute an estimated half billion dollars annually to Florida's economy alone.

UF also leads in royalty licensing. Significant products include the glaucoma drug Trusopt, the sports drink Gatorade and the

UF was awarded \$583 million in sponsored research in 2006-07 — more than all other Florida universities combined.



Sentricon termite elimination system. The university patented 137 inventions in 2007, making it seventh highest in number of patents issued.

An \$85 million Genetics, Cancer and Biotechnology Building was completed in 2006.

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

Headcount Enrollment by Colleges and Schools — Fall Terms

College/School	2006	2005	2004	2003	2002
Accounting	852	873	972	947	903
Agricultural and Life Sciences	4,450	4,084	3,798	3,707	3,623
Building Construction	668	672	628	609	559
Business Administration	5,543	5,546	5,682	6,221	6,713
Dentistry	385	380	380	373	374
Design, Construction, and Planning	977	996	987	989	981
Division of Continuing Education (A)	380	417	372	294	535
Education	1,914	1,898	1,912	1,749	1,810
Engineering	6,832	6,635	6,402	6,580	6,607
Fine Arts	1,247	1,230	1,147	1,180	1,180
Forest Resources and Conservation	213	186	161	144	129
Health and Human Performance	2,098	2,028	1,838	1,815	1,882
High School	27	39	27	36	35
Journalism and Communications	3,041	2,973	2,985	3,157	3,305
Law	1,489	1,363	1,273	1,267	1,312
Liberal Arts and Sciences	14,582	14,496	14,015	13,713	12,953
Medicine	830	851	800	789	758
Natural Resources and Environment	103	217	177	181	180
Nursing	1,040	926	920	936	860
Pharmacy	620	640	574	468	372
Pharmacy Doctor	1,923	1,873	1,595	1,387	1,174
Physician Assistant Program	120	120	119	117	119
Public Health & Health Professions	1,728	1,605	1,552	1,561	1,409
Veterinary Medicine	509	519	512	511	501
SUBTOTAL	51,571	50,567	48,828	48,731	48,274
Minus Concurrent Degree	51	55	63	58	90
TOTAL	51,520	50,512	48,765	48,673	48,184

(A) Includes Continuing Education and correspondence courses for students not enrolled in a college. Source: Office of Institutional Planning and Research - UF Facts

Federal Awards by Agency for 2006-07 fiscal year

(in millions)

NIH	138.0
HHS	46.6
NSF	39.4
USDA	36.4
DOD	26.1
Education	16.5
HRSA	12.4
Energy	9.5
Veterans Affairs	9.0
NASA	7.6
Commerce	4.1
Interior	3.9
USAID	3.6
DOT	2.3
EPA	1.1
Other Federal	4.5
Total	361.0

The University of Florida is in Gainesville

The University of Florida campus occupies more than 2,000 acres in the center of Gainesville, which is recognized as one of the nation's most desirable places to live, and currently ranks No. 1 in Frommer's "Cities Ranked and Rated."

University facilities are valued at more than \$2.1 billion and include 980 buildings, with more than 180 containing classrooms and laboratories. The Hume Honors Residency Building is the first-ever residential college built from the ground up to serve honors students. The state-of-the-art Florida Proton Beam Therapy Center was recently completed in Jacksonville, and construction recently was completed on the Jim and Alexis Pugh Hall, which will house the new Bob Graham Center for Public Service.

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, the J. Wayne Reitz Union and the Student Recreation and Fitness Center provide space for a myriad of activities.

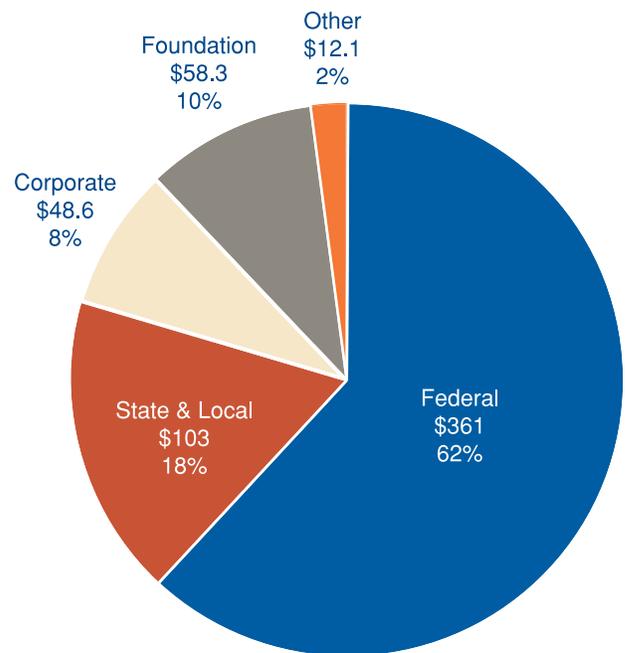
Additional facility improvements completed or under construction include the Orthopaedics and Sports Medicine Institute, the Mary Ann Harn Cofrin Pavilion, the Legal Information Center, the ICBR Biotechnology Laboratory Pavilion, and the remodeling of the Pharmacy Wing of the Health Science Center.

The University of Florida also hosts an impressive array of facilities dedicated to honoring the arts, humanities and the sciences.

“Biotechnology companies that have emerged from university research initiatives contribute an estimated half billion dollars annually to Florida's economy alone.”



Research Awards by Sponsor
for 2006-07 Fiscal Year
(in millions)



The Florida Museum of Natural History is among the top 10 natural history/anthropology museums in the nation and is the largest in the Southeast. Its natural science collections contain approximately 6 million specimens. The museum opened the \$12 million McGuire Center for Lepidoptera and Biodiversity, which houses the world's second-largest butterfly collection and a live butterfly rainforest.

The Samuel P. Harn Museum of Art is one of the largest museums in the region, with more than 26,000 square feet of exhibit space.

University of Florida Performing Arts continues to bring international recognition to UF and is recognized among the top 10 performing arts programs in the United States.

One of the most successful collegiate athletic programs in the nation

The University of Florida prides itself on the excellence of its collegiate sports programs and enjoys significant success with its varsity teams. Highlighted by national titles by the men's basketball and football teams, a total of 11 Gator athletic teams turned in top-10 finishes in 2006-07. The pair of wins distinguishes Florida as the first program ever to hold both the national men's basketball and football titles in the same academic year. The University of Florida provides an athletic atmosphere rivaled by only a few other schools in the nation.

The University of Florida finished sixth in the national all-sports competition for overall men's and women's program excellence. Only the University of Florida and the University

DEGREES AWARDED BY TYPE OF DEGREE					
Degree	2006-07	2005-06	2004-05	2003-04	2002-03
Bachelors	8,569	8,252	8,417	8,574	7,975
Masters	3,142	3,051	2,957	3,022	2,889
Doctor of Philosophy	784	718	702	694	591
Juris Doctor	427	388	382	425	414
Doctor of Pharmacy	454	345	325	272	254
Doctor of Medicine	124	115	99	116	111
Doctor of Dental Medicine	79	78	79	76	80
Doctor of Veterinary Medicine	79	82	77	75	82
TOTAL	13,658	13,029	13,038	13,254	12,396

Source: UF Office of Institutional Planning and Research

of California - Los Angeles, have finished in the top-10 all-sports ranking in every year since the 1983-84 academic year.

For an unprecedented eighth time, the University of Florida completed a sweep of all three Southeastern Conference All-Sports titles, capturing the 2006-07 New York Times Regional Newspaper Group SEC All-Sports title. Prior to 1992, no school in SEC history had ever won both the men's and women's all-sports titles in the same academic year. Florida is the only school in SEC history to ever win both the men's and the women's all-sports titles in the same academic year, pulling off the feat in 1992, 1993, 1996, 1998, 2000, 2002, 2003 and 2007.

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

Providing such effective management of the university's sports programs is the University Athletic Association, a direct-support organization serving as one of several component units of the university.



UF IS THE ONLY UNIVERSITY TO HOLD FOOTBALL AND MEN'S BASKETBALL NATIONAL CHAMPIONSHIPS IN THE SAME SEASON, AND THE MEN'S BASKETBALL TEAM ALSO WON BACK-TO-BACK NATIONAL CHAMPIONSHIPS IN 2006 AND 2007.



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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, 2007, as shown on pages 22 through 47. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors. The prior year partial comparative information was derived from the University's 2005-06 financial statements and, in our report dated February 5, 2007, 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, 2007, 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 prior-year partial 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, 2006, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2008, on our consideration of the University of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. That report is included as a part of our separately issued audit report on the University.

The MANAGEMENT'S DISCUSSION AND ANALYSIS on pages 17 through 21 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Florida's basic financial statements. The introductory section, overview, and supplementary financial aid information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section (pages 2 through 4), overview (pages 6 through 15), and supplementary financial aid information (page 48) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,

Handwritten signature of David W. Martin in blue ink.

David W. Martin, CPA
January 29, 2008



MANAGEMENT'S DISCUSSION and ANALYSIS

From the Vice President for Business Affairs

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, 2007, 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 \$2.4 billion at June 30, 2007. This balance reflects a \$246 million, or 11.4%, increase from the 2005-06 fiscal year. While assets grew, liabilities also increased by \$26.5 million to \$502 million, a 5.6% increase. As a result, the University's net assets increased by \$219.5 million, or 13.1%, reaching a year-end balance of \$1.9 billion.

The University's operating revenues totaled \$1 billion for the 2006-07 fiscal year, representing a 6.1% increase over the 2005-06 fiscal year. Major components of operating revenues are grants and contracts and student tuition and fees. Grant and contract revenue increased by \$52.7

million, or 8.2%, because of an increase in awards. Student tuition and fees increased 9.9% because of increases in enrollment and fees.

Net nonoperating revenues and expenses in the 2006-07 fiscal year increased 19.0% because the University had a 17.8% increase in State appropriations, which included funds for the Research and Economic Development Investment Program, Centers for Excellence and World Class Scholars. Additionally, net investment income increased by 109.4% because of rising interest rates and increased investment balances.

Operating expenses totaled \$1.8 billion for the 2006-07 fiscal year, representing an increase of 4.5% over the 2005-06 fiscal year. The largest category contributing to this increase was compensation and employee benefits.

The University had significant construction activity during the year. Construction projects completed include: (1) Hub Renovation (capitalizable costs of \$9.6 million); (2) Center for Excellence (capitalizable costs of \$6.8 million); (3) Kathryn Chicone Ustler Hall (capitalizable costs of \$4.3 million); and (4) Whitney Center for Marine Studies (capitalizable costs of \$3.6 million). Construction continues on several major projects including three that when finished will be over \$148 million: (1) Biomedical Sciences Building; (2) NIMET Nanoscale Research Facility; and (3) Pathogen Research Facility.

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:

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

Information regarding these component units, including summaries of their separately issued financial statements, is presented in notes 1, 3 and 20 to the financial statements. This MD&A focuses on the University, excluding the component units. MD&A information regarding the 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 is considered nonoperating as defined by GASB Statement No. 35. The principal component of nonoperating revenues for the fiscal year ended June 30, 2007, is State appropriations for operations (\$702.3 million).

Recurring nonoperating expenses consist primarily of interest expense on bonds and revenue certificates payable, totaling \$6.8 million for the fiscal year ended June 30, 2007.

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>2007</u>	<u>2006</u>
Assets:		
Current Assets	\$ 940.2	\$ 750.8
Capital Assets, Net	1,339.1	1,300.3
Other Noncurrent Assets	124.0	106.2
Total Assets	<u>2,403.3</u>	<u>2,157.3</u>
Liabilities:		
Current Liabilities	163.6	160.5
Noncurrent Liabilities	338.4	315.0
Total Liabilities	<u>502.0</u>	<u>475.5</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	1,226.5	1,185.3
Restricted	543.9	415.2
Unrestricted	130.9	81.3
Total Net Assets	<u>\$ 1,901.3</u>	<u>\$ 1,681.8</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. The first table in the top left corner of the next page summarizes the University's activity for the 2006-07 and 2005-06 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.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2006-07 and 2005-06 fiscal years:

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

(in millions)

	<u>2006-07</u>	<u>2005-06</u>
Operating Revenues	\$ 1,043.5	\$ 983.2
Operating Expenses	(1811.2)	(1,732.4)
Operating Loss	(767.7)	(749.2)
Net Nonoperating Revenues	837.6	703.8
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	69.9	(45.4)
Other Revenues, Expenses, Gains, or Losses	149.6	107.1
Increase in Net Assets	219.5	61.7
Net Assets – Beginning of Year	1,681.8	1,620.1
Net Assets – End of Year	\$ 1,901.3	\$ 1,681.8

Operating Revenues

(in millions)

	<u>2006-07</u>	<u>2005-06</u>
Grants and Contracts	\$ 695.2	\$ 642.5
Student Tuition and Fees, Net of Scholarship Allowances	167.6	152.5
Sales and Services of Auxiliary Enterprises	128.9	133.5
Sales and Services of Educational Departments	49.7	53.4
Other	2.1	1.3
Total Operating Revenues	\$ 1,043.5	\$ 983.2

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 classifications on the Statement of Revenues, Expenses, and Changes in Net Assets and has displayed the functional classifications in the notes to the financial statements.

The following summarizes the operating expenses for each method of classification for the 2006-07 and 2005-06 fiscal years:

Operating Expenses

(in millions)

Natural Classifications	<u>2006-07</u>	<u>2005-06</u>
Compensation and Employee Benefits	\$ 1,179.2	\$ 1,128.0
Services and Supplies	357.6	340.9
Depreciation	108.5	107.4
Scholarships, Fellowships and Waivers *	74.2	68.6
Utilities and Communications	69.8	63.9
Self-Insured Claims and Expenses	21.9	23.6
Total Operating Expenses	\$ 1,811.2	\$ 1,732.4
Functional Classifications	<u>2006-07</u>	<u>2005-06</u>
Instruction	\$ 548.5	\$ 534.9
Research	460.6	441.2
Auxiliary Operations	130.0	139.2
Public Service	151.8	135.0
Academic Support	116.6	110.0
Depreciation	108.5	107.4
Institutional Support	106.6	95.6
Operation and Maintenance of Plant	104.6	90.6
Scholarships, Fellowships and Waivers *	53.5	47.4
Student Services	30.5	31.1
Total Operating Expenses	\$ 1,811.2	\$ 1,732.4

*Net of Scholarship Allowances of \$110.7 million in the 2006-07 fiscal year and \$102.9 million in the 2005-06 fiscal year.

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 2006-07 and 2005-06 fiscal years:

Nonoperating Revenues (Expenses)

(in millions)

	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 702.3	\$ 596.3
Federal and State Student Financial Aid	106.2	97.0
Investment Income	40.2	19.2
Interest on Capital Asset-Related Debt	(6.8)	(5.3)
Other Nonoperating Revenues (Expenses)	(4.3)	(3.4)
Net Nonoperating Revenues (Expenses)	\$ 837.6	\$ 703.8

OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is composed mainly of capital appropriations and capital grants, contracts, and donations. The following summarizes the University's other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

Other Revenues, Expenses, Gains, or Losses		
<i>(in millions)</i>		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 115.3	\$ 68.7
Capital Grants, Contracts and Donations	38.8	43.0
Loss on Disposal of Capital Assets	(4.5)	(4.6)
Total Other Revenues, Expenses, Gains, or Losses	<u>\$ 149.6</u>	<u>\$ 107.1</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 (\$702.3 million), net student tuition and fees (\$168.4 million), grants and contracts (\$702.9 million), and sales and services of auxiliary enterprises (\$126.2 million).

The following summarizes cash flows for the 2006-07 and 2005-06 fiscal years:

Condensed Statement of Cash Flows

(in millions)

	<u>2006-07</u>	<u>2005-06</u>
Cash Provided (Used) by:		
Operating Activities	\$ (627.9)	\$ (578.4)
Noncapital Financing Activities	810.0	691.5
Capital and Related Financing Activities	(57.2)	(104.7)
Investing Activities	(122.5)	(12.3)
Net Change in Cash and Cash Equivalents	2.4	(3.9)
Cash and Cash Equivalents, Beginning of Year	.6	4.5
Cash and Cash Equivalents, End of Year	<u>\$ 3.0</u>	<u>\$.6</u>

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the University had approximately \$2.6 billion in capital assets, less accumulated depreciation of \$1.3 billion, for net capital assets of \$1.3 billion. Depreciation charges for the current fiscal year totaled \$108.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net

(in millions)

	<u>2007</u>	<u>2006</u>
Land	\$ 10.9	\$ 10.9
Buildings	899.2	850.5
Infrastructure and Other Improvements	32.6	34.1
Furniture and Equipment	243.1	236.5
Library Resources	57.7	57.6
Property Under Capital Lease and Lease Improvements	7.4	7.7
Computer Software	13.7	19.0
Other Capital Assets	1.4	1.5
Construction in Progress	73.1	82.5
Total Capital Assets (Non-Depreciable and Depreciable, Net)	<u>\$ 1,339.1</u>	<u>\$ 1,300.3</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, 2007, were incurred on the following continuing projects: Pugh Hall (Graham Center) (\$8.1 million); Indian River Biological and Agricultural Research Center (\$3.4 million); and the George Steinbrenner Band Building (\$2.1 million). The University's total capital commitment as of June 30, 2007, was \$263.6 million, while completed to date was \$73.1 million leaving a commitment balance of \$190.5 million. Additional information about the University's capital commitments is presented in Note 15 to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2007, the University had \$121.3 million in bonds and revenue certificates, capital leases, and installment purchase agreements, representing a decrease of \$4.1 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		
<i>(in millions)</i>		
	<u>2007</u>	<u>2006</u>
Bonds and Revenue Certificates	\$ 112.6	\$ 119.2
Capital Leases	3.7	3.8
Installment Purchase Agreements	<u>5.0</u>	<u>2.4</u>
Total Capital Asset Related Debt	<u>\$ 121.3</u>	<u>\$ 125.4</u>

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 recent downturn in the State economy resulted in a reduction of the University's 2007-08 fiscal year State appropriations by \$16.7 million (2.4%). To mitigate this reduction, a 5% increase in tuition and out-of-state fees for undergraduate courses was authorized beginning in the Spring 2008 term. Beginning in the 2008-09 fiscal year, Florida law provides for undergraduate tuition to increase at a rate equal to the consumer price index and authorizes the establishment of an undergraduate tuition differential. Graduate and professional enrollment increased by 5% and 2%, respectively, in the 2007-08 fiscal year, continuing to pursue the University's goals of increased graduate school enrollment and focus on research. The University also projects continued growth in grant and contract revenues for the coming year.

STATEMENT OF NET ASSETS as of June 30, 2007

(amounts expressed in thousands)

	University of Florida		Component Units (FYE in 2007)		
	2007	2006	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 2)	\$ 1,461	\$ 298	\$ 26,151	\$ 48,838	\$ 78,222
Investments (Note 3)	682,948	535,289	166,008	5,108	374,523
Accounts Receivable, Net (Note 4)	93,184	108,750	96,578	64,661	170,689
Loans and Notes Receivable, Net (Note 4)	3,612	3,783	-	-	-
Due from State (Note 5)	138,755	96,396	26,705	-	-
Due from Component Units/University (Note 6)	13,972	-	23,009	20,656	6,839
Inventories (Note 7)	5,765	5,614	1,120	127	-
Other Current Assets	509	646	6,820	2,668	45,276
Total Current Assets	940,206	750,776	346,391	142,058	675,549
Noncurrent Assets:					
Restricted Cash and Cash Equivalents (Note 2)	1,544	273	912	1,500	-
Restricted Investments (Note 3)	86,326	71,314	1,444,669	24,572	238,729
Loans and Notes Receivable, Net (Note 4)	35,189	33,685	1,284	-	-
Depreciable Capital Assets, Net (Note 8)	1,254,631	1,206,525	135,224	22,095	581,133
Non-Depreciable Capital Assets (Note 8)	84,458	93,806	40,539	1,015	124,591
Other Noncurrent Assets	968	915	1,225	14,494	79,532
Total Noncurrent Assets	1,463,116	1,406,518	1,623,853	63,676	1,023,985
TOTAL ASSETS	\$ 2,403,322	\$ 2,157,294	\$ 1,970,244	\$ 205,734	\$ 1,699,534
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 61,542	\$ 63,645	\$ 20,169	\$ 11,668	\$ 198,318
Accrued Salaries and Wages Payable	27,505	28,802	7,234	14,682	122
Due to State	164	176	-	-	-
Due to Component Units/University (Note 6)	12,817	9,444	30,090	7,012	8,625
Deferred Revenue (Note 10)	29,800	27,050	62,230	66	59
Deposits Held in Custody	3,353	4,803	405	76	25
Long-Term Liabilities – Current Portion: (Note 11)					
Bonds and Revenue Certificates Payable	6,755	6,595	1,535	854	10,933
Installment Purchase Agreements Payable	1,587	742	-	-	-
Capital Leases Payable	89	83	-	108	45
Compensated Absences Payable	9,132	9,599	254	7,362	-
Liability for Self-Insured Claims	10,849	9,613	-	-	-
Other Current Liabilities	-	-	5,447	5,220	115
Total Current Liabilities	163,593	160,552	127,364	47,048	218,242
Noncurrent Liabilities: (Note 11)					
Bonds and Revenue Certificates Payable	105,881	112,665	116,815	17,377	563,874
Installment Purchase Agreements Payable	3,459	1,656	-	-	-
Capital Leases Payable	3,612	3,700	-	191	6,575
Compensated Absences Payable	148,252	130,300	2,193	25,518	-
Liability for Self-Insured Claims	77,195	66,646	-	-	-
Other Noncurrent Liabilities	-	-	32,582	35	117,493
Total Noncurrent Liabilities	338,399	314,967	151,590	43,121	687,942
TOTAL LIABILITIES	501,992	475,519	278,954	90,169	906,184
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	1,226,499	1,185,280	63,241	5,650	123,663
Restricted:					
Nonexpendable:					
Endowment	-	-	919,285	-	289
Expendable:					
Loans	52,228	51,225	-	-	-
Capital Projects	163,443	104,764	-	-	-
Debt Service	3,010	3,722	-	-	-
Other Restricted Net Assets	325,230	255,488	567,947	1,500	4,757
Unrestricted	130,920	81,296	140,817	108,415	664,641
TOTAL NET ASSETS	1,901,330	1,681,775	1,691,290	115,565	793,350
TOTAL LIABILITIES AND NET ASSETS	\$ 2,403,322	\$ 2,157,294	\$ 1,970,244	\$ 205,734	\$ 1,699,534

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 for the Fiscal Year Ended June 30, 2007

(amounts expressed in thousands)

	University of Florida		Component Units (FYE in 2007)		
	2006-07	2005-06	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
OPERATING REVENUES					
Student Tuition and Fees	\$ 278,381	\$ 255,373	\$ -	\$ -	\$ -
Scholarship Allowances	(110,740)	(102,868)	-	-	-
Student Tuition and Fees, net of Scholarship Allowances	167,641	152,505	-	-	-
Federal Grants and Contracts	301,237	284,353	-	-	-
State and Local Grants and Contracts	54,060	36,118	-	-	-
Nongovernmental Grants and Contracts	339,881	322,067	-	-	-
Sales and Services of Auxiliary Enterprises (Note12)	128,908	133,546	-	-	-
Sales and Services of Educational Departments	49,732	53,373	-	-	-
Sales and Services of Component Units	-	-	59,494	-	665
Hospital Revenues	-	-	-	411,341	1,435,022
Gifts and Donations - Component Units	-	-	133,932	13,094	9,355
Royalties and Licensing Fees - Component Units	-	-	48,287	-	1,145
Interest on Loans and Notes Receivable	717	726	-	-	-
Other Operating Revenues	1,337	533	8,531	11,721	160,530
Total Operating Revenues	1,043,513	983,221	250,244	436,156	1,606,717
OPERATING EXPENSES					
Compensation and Employee Benefits	1,179,234	1,128,013	-	-	-
Services and Supplies	357,581	340,892	-	-	-
Utilities and Communications	69,796	63,884	-	-	-
Scholarships, Fellowships and Waivers	74,259	68,614	-	-	-
Depreciation	108,469	107,398	6,860	4,766	69,001
Self-Insured Claims and Expenses	21,883	23,612	-	-	-
Other Component Unit Operating Expenses	-	-	258,471	379,593	1,434,871
Total Operating Expenses (Note 13)	1,811,222	1,732,413	265,331	384,359	1,503,872
Operating Income (Loss)	(767,709)	(749,192)	(15,087)	51,797	102,845
NONOPERATING REVENUES (EXPENSES)					
State Appropriations	702,289	596,314	-	-	-
Federal and State Student Financial Aid	106,187	97,013	-	-	-
Investment Income	40,238	19,246	217,306	5,288	30,818
Interest on Capital Asset Related Debt	(6,842)	(5,342)	(4,540)	(282)	-
Other Nonoperating Revenues (Expenses)	(4,255)	(3,436)	1,025	(104,919)	(88,029)
Net Nonoperating Revenues (Expenses)	837,617	703,795	213,791	(99,913)	(57,211)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	69,908	(45,397)	198,704	(48,116)	45,634
Capital Appropriations	115,309	68,716	-	-	-
Capital Grants, Contracts and Donations	38,874	43,008	-	-	-
Gain/(Loss) on Disposal of Capital Assets	(4,536)	(4,662)	8	45	-
Additions to Permanent Endowments	-	-	93,587	-	134
Transfers from/(to) Component Units	-	-	6,847	50,512	(26,218)
Total Other Revenues, Expenses, Gains or Losses	149,647	107,062	100,442	50,557	(26,084)
Increase in Net Assets	219,555	61,665	299,146	2,441	19,550
Net Assets, Beginning of Year	1,681,775	1,620,110	1,392,144	113,124	773,800
Net Assets, End of Year	\$ 1,901,330	\$ 1,681,775	\$ 1,691,290	\$ 115,565	\$ 793,350

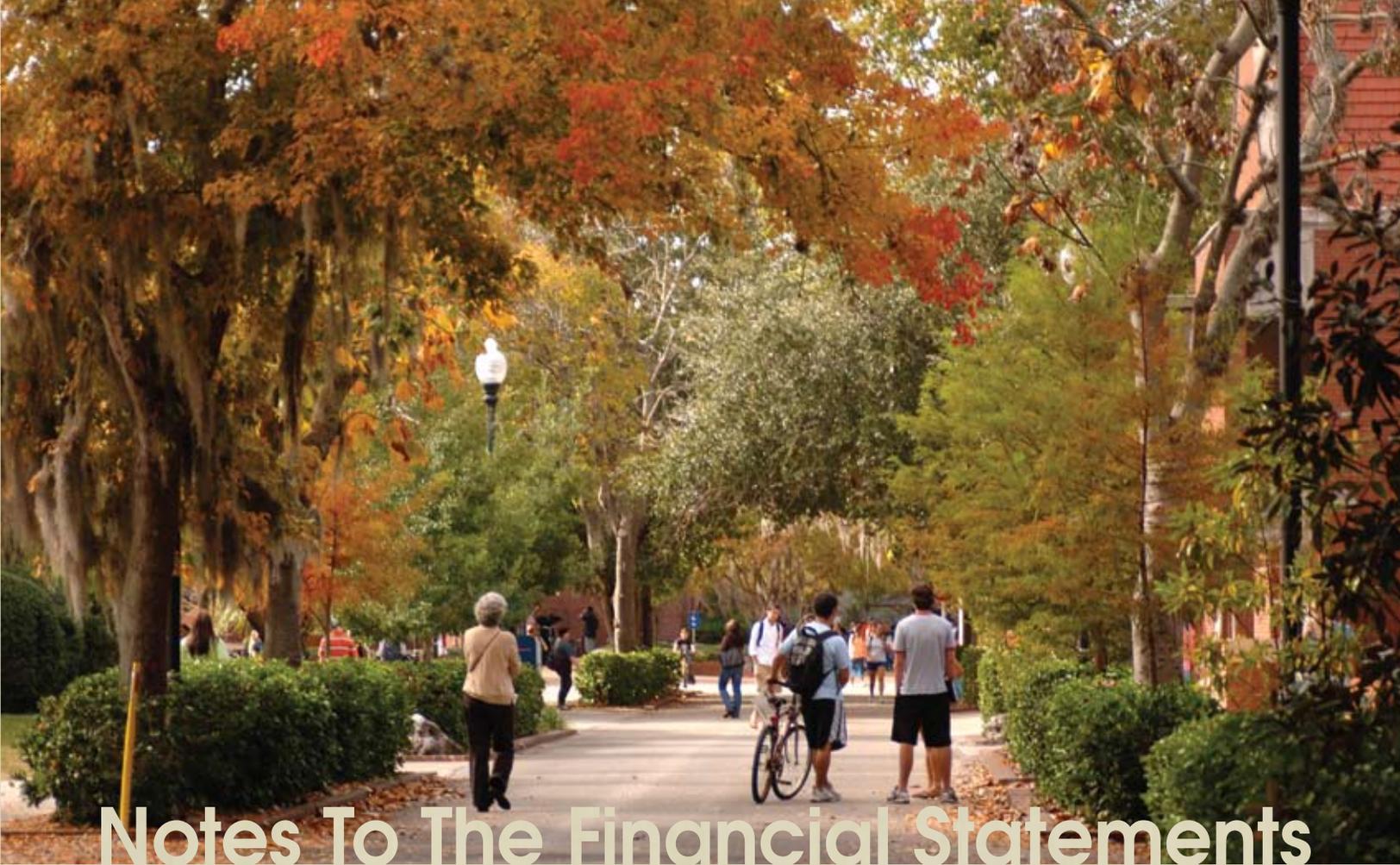
The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS for the Fiscal Year Ended June 30, 2007

(amounts expressed in thousands)

	University of Florida	
	2006-07	2005-06
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees, Net	\$ 168,367	\$ 148,865
Grants and Contracts	702,907	683,829
Sales and Services of Auxiliary Enterprises	126,240	135,811
Sales and Services of Educational Departments	49,740	53,323
Repayment of Loans Receivable	7,264	7,503
Interest on Loans Receivable	719	787
Other Operating Receipts (Disbursements)	651	(371)
Payments to Employees	(1,159,651)	(1,114,254)
Payments to Suppliers	(431,171)	(404,321)
Payments for Scholarships and Fellowships	(74,259)	(68,614)
Loans Issued to Students	(8,597)	(8,486)
Payments on Self-Insurance Claims and Expenses	(10,098)	(12,555)
Net Cash Used by Operating Activities	(627,888)	(578,483)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	702,289	596,314
Federal and State Student Financial Aid	106,187	97,013
Direct Loan Program Receipts	160,099	151,343
Direct Loan Program Disbursements	(160,093)	(151,238)
Net Change in Funds Held for Others	3,941	(2,130)
Other Nonoperating Receipts	2,077	4,827
Other Nonoperating Disbursements	(4,454)	(4,628)
Net Cash Provided by Noncapital Financing Activities	810,046	691,501
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Appropriations	74,087	68,716
Capital Grants, Contracts and Donations	33,647	15,254
Proceeds from Sales of Capital Assets	129	129
Other Receipts for Capital Assets	221	-
Purchases of Capital Assets	(149,920)	(175,814)
Principal Paid on Capital Debt and Leases	(8,507)	(7,602)
Interest Paid on Capital Debt and Leases	(6,842)	(5,342)
Net Cash Used by Capital and Related Financing Activities	(57,185)	(104,659)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Investments	3,135,870	1,610,027
Purchase of Investments	(3,298,541)	(1,643,986)
Investment Income	40,132	21,633
Net Cash Used by Investing Activities	(122,539)	(12,326)
Net Increase (Decrease) in Cash and Cash Equivalents	2,434	(3,967)
Cash and Cash Equivalents, Beginning of Year	571	4,538
Cash and Cash Equivalents, End of Year	\$ 3,005	\$ 571
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (767,709)	\$ (749,192)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	108,469	107,398
Changes in Assets and Liabilities:		
Receivables, Net	14,349	17,787
Due From State and Component Units	(13,768)	-
Inventories	(151)	86
Other Assets	136	(233)
Accounts Payable	(3,778)	601
Accrued Salaries and Wages Payable	2,097	3,146
Due to State and Component Units	717	(469)
Deferred Revenues	2,480	20,734
Deposits Held in Custody	-	(11)
Compensated Absences Payable	17,485	10,613
Liability for Self Insured Claims	11,785	11,057
NET CASH USED BY OPERATING ACTIVITIES	\$ (627,888)	\$ (578,483)

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



Notes To The Financial Statements

For the Fiscal Year Ended June 30, 2007

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The University of Florida is a separate public instrumentality that is part of the State university system of public universities, 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 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.

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 20.

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 intercollegiate 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.

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

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**

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 Regu-

lation 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 de-

velopment 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. The Center became an auxiliary of the University effective July 1, 2007.

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
- 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 purchase 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.

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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, or to purchase or construct capital assets are classified as restricted.

3 INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund, 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, 2007, are reported at fair value and shown in Tables 1 and 2.

Table 1. University Investments

Types of Investments	Fair Value
External Investments Pools:	
Florida State Board of Administration	
Local Government Surplus Funds Trust Fund	\$ 645,036,093
Florida State Board of Administration Debt Service Accounts	191,000
United States Government and Federally-Guaranteed Obligations	18,767,191
Repurchase Agreements	23,679,187
Bonds and Notes	12,881,387
Stocks	35,406,850
Certificates of Deposit	750,000
Money Market Funds	186,367
Bond Mutual Funds	32,376,120
Total University Investments	\$ 769,274,195

A. External Investment Pools

The University's discretely presented component units (see Note 1) reported investments at fair value totaling \$122,693,176 at June 30, 2007, 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 taken the position that participants in the pool should disclose information

Table 2. Component Unit Investments

Types of Investments	Fair Value
External Investments Pools:	
Florida State Treasury Special Purpose Investment Accounts	\$ 122,693,176
Florida State Board of Administration	
Local Government Surplus Funds Trust Fund	71,441,786
United States Government and Federally-Guaranteed Obligations	69,839,966
Federal Agency Obligations	16,037,164
Bonds and Notes	100,541,287
Investment Agreements	845,407,899
Real Estate Agreements	6,210,938
Stocks	121,693,987
Certificates of Deposit	929,918
Money Market Funds	119,757,615
Equity Mutual Funds	550,703,170
Bond Mutual Funds	179,392,853
Commercial Paper	48,959,000
Total Component Units Investments	\$ 2,253,608,759

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 3.21 years at June 30, 2007. 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 \$645,036,093 and \$71,441,786, respectively, at June 30, 2007, in the Local Government Surplus Funds Trust Fund, which is administered by State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The University's investments in the Local Government Surplus Funds Trust Fund, 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, 2007.

B. Florida State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$191,000 at June 30, 2007, 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 and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

C. Other Investments

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, money market funds, 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 investments other than external investment pools for the University and its discretely presented component units:

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 (excluding those reporting under FASB standards) in debt securities and bond mutual funds, and their future maturities at June 30, 2007, 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, 2007, the University and its component units (excluding those reporting under FASB standards) 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. Ex-

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	\$ 18,767,191	\$ 178,375	\$ 14,060,564	\$ 2,921,526	\$ 1,606,726
Bonds and Notes	12,881,387	859,640	7,956,176	1,489,343	2,576,228
Bond Mutual Funds	32,376,120	-	32,376,120	-	-
Total University	\$ 64,024,698	\$ 1,038,015	\$ 54,392,860	\$ 4,410,869	\$ 4,182,954

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	\$ 4,646,948	\$ 992,810	\$ 1,068,505	\$ 10,285	\$ 2,575,348
Federal Agency Obligations	16,037,164	16,037,164	-	-	-
Bonds and Notes	26,688,873	5,572,538	12,302,658	1,584,179	7,229,498
Bond Mutual Funds	9,917,513	1,156,359	8,761,154	-	-
Total Component Units	\$ 57,290,498	\$ 23,758,871	\$ 22,132,317	\$ 1,594,464	\$ 9,804,846

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	\$ 12,881,387	\$ 4,532,023	\$ 1,001,438	\$ 4,711,909	\$ 2,636,017
Money Market Funds	186,367	186,367	-	-	-
Bond Mutual Funds	32,376,120	-	-	-	32,376,120
Total University	\$ 45,443,874	\$ 4,718,390	\$ 1,001,438	\$ 4,711,909	\$ 35,012,137

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	\$ 26,688,873	\$ 21,575,211	\$ 2,456,544	\$ 2,646,705	\$ 10,413
Money Market Fund	650,269	-	-	650,269	-
Bond Mutual Funds	9,917,513	18,077	1,133,998	4,284	8,761,154
Total Component Units	\$ 37,256,655	\$ 21,593,288	\$ 3,590,542	\$ 3,301,258	\$ 8,771,567

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

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

4 RECEIVABLES

A. Accounts Receivable

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

Table 7. Accounts Receivable

Grants and Contracts	\$ 68,815,178
Sales and Services of Auxiliary Enterprises	18,493,533
Student Tuition and Fees	2,823,342
Sales and Services of Educational Departments	1,802,645
Interest	1,249,114
Accounts Receivable, Net	\$ 93,183,812

B. Loans and Notes Receivable

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

C. Allowances for Uncollectible Receivables

Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and other factors considered appropriate. Accounts receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$9,160,258, which is 27% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$3,132,811, which is 7% of total related loans and notes receivable. No allowance has been accrued for grants and contracts receivable. University management considers these to be fully collectible.

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, 2007. 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 ending date 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, 2007, 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 26 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	\$ 10,922,527	\$ -	\$ -	\$ 10,922,527
Construction in Progress	82,467,495	79,067,658	88,418,418	73,116,735
Works of Art and Historical Treasures	416,062	3,001	-	419,063
Total Capital Assets, Non-Depreciable	\$ 93,806,084	\$ 79,070,659	\$ 88,418,418	\$ 84,458,325
Capital Assets, Depreciable:				
Buildings	\$ 1,422,851,367	\$ 88,318,461	\$ 495,953	\$ 1,510,673,875
Infrastructure and Other Improvements	75,395,828	742,331	-	76,138,159
Furniture and Equipment	569,972,010	60,941,092	34,251,356	596,661,746
Library Resources	240,469,764	12,185,805	946,676	251,708,893
Property Under Capital Lease and Lease Improvements	9,815,002	-	-	9,815,002
Works of Art and Historical Treasures	613,722	126,605	-	740,327
Computer Software	32,340,101	1,688,558	789,689	33,238,970
Other Capital Assets	2,277,898	582,850	1,094,675	1,766,073
Total Capital Assets, Depreciable	2,353,735,692	164,585,702	37,578,349	2,480,743,045
Less Accumulated Depreciation for:				
Buildings	572,359,514	40,028,212	923,256	611,464,470
Infrastructure and Other Improvements	41,268,936	2,266,788	-	43,535,724
Furniture and Equipment	333,469,362	46,872,973	26,743,019	353,599,316
Library Resources	182,892,038	12,025,860	946,676	193,971,222
Property Under Capital Lease and Lease Improvements	2,145,948	245,375	-	2,391,323
Works of Art and Historical Treasures	233,069	44,844	118	277,795
Computer Software	13,376,171	6,708,486	521,831	19,562,826
Other Capital Assets	1,466,107	276,914	433,193	1,309,828
Total Accumulated Depreciation	1,147,211,145	108,469,452	29,568,093	1,226,112,504
Total Capital Assets, Depreciable, Net	\$ 1,206,524,547	\$ 56,116,250	\$ 8,010,256	\$ 1,254,630,541

10 DEFERRED REVENUE

Deferred revenue includes amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Deferred revenue, as of June 30, 2007, is summarized in Table 9.

Table 9. Deferred Revenue

Description	Amount
Grants and Contracts	\$ 23,572,331
Sales and Services of Auxiliary Enterprises	5,854,853
Other Operating Revenue	372,605
Total Deferred Revenue	\$ 29,799,789

11 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2007, include bonds and revenue certificates, installment purchase agreements, capital leases, compensated absences and liability for self-insured claims.

Long-term liability activity for the fiscal year ended June 30, 2007, 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.

In the 2005-06 fiscal year, the University deposited with an escrow agent in an irrevocable trust amounts sufficient to meet the debt service requirements of certain University Student Housing Revenue Bonds, Series 2000. The defeased bonds are not reported as outstanding debt on the University's statement of net assets. Debt considered defeased at June 30, 2007, totaled \$26,070,000.

A summary of the University's outstanding bonds and revenue certificates payable at June 30, 2007, appears in Table 11.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, 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	\$ 119,260,199	\$ -	\$ 6,623,671	\$ 112,636,528	\$ 6,755,037
Installment Purchase Agreements	2,397,939	4,263,977	1,615,676	5,046,240	1,587,235
Capital Leases	3,783,304	-	83,143	3,700,161	88,506
Total Capital Asset Related Debt	125,441,442	4,263,977	8,322,490	121,382,929	8,430,778
Other Long-Term Liabilities:					
Compensated Absences	139,898,816	282,620,163	265,135,430	157,383,549	9,132,051
Liability for Self-Insured Claims	76,259,478	19,927,964	8,143,892	88,043,550	10,848,526
Total Long-Term Liabilities	\$ 341,599,736	\$ 306,812,104	\$ 281,601,812	\$ 366,810,028	\$ 28,411,355

Table 11. Bonds and Revenue Certificates Payable

Bond Type and Series	Amount of Original Issue	Amount Outstanding		Bonds Interest Rate	Maturity Date
		Principal	Interest		
Auxiliary Revenue Bonds:					
1959F Housing	\$ 1,500,000	\$ 225,000	\$ 8,550	3.000%	2011
1984 Housing	3,500,000	1,155,000	142,800	3.000%	2014
1998 Housing	26,155,000	20,475,000	10,236,687	4.250 to 6.000%	2028
2000 Housing	30,695,000	2,015,000	208,175	5.000 to 5.500%	2010
2005A Housing	37,610,000	35,945,000	23,733,450	3.375 to 5.125%	2030
1993 Parking Garage	19,545,000	5,795,000	930,375	5.000%	2014
1998 Parking Garage	10,000,000	7,190,000	2,172,535	4.000 to 4.750%	2019
Total Auxiliary Revenue Bonds	<u>129,005,000</u>	<u>72,800,000</u>	<u>37,432,572</u>		
State University System Revenue Bonds:					
1997A Trust Fund	4,723,765	3,907,433	1,050,719	4.500 to 5.000%	2016
1998 Trust Fund	13,783,839	10,392,416	4,587,424	4.100 to 5.000%	2023
2001 Trust Fund	4,259,373	3,650,794	1,939,997	4.000 to 5.000%	2026
2003A Trust Fund	12,359,757	7,076,691	1,285,799	5.000%	2013
2005A Trust Fund	8,723,603	8,493,872	2,916,556	3.625 to 4.125%	2022
2006A Trust Fund	8,470,880	8,302,770	5,663,444	4.000 to 5.000%	2030
Total University System Revenue Bonds	<u>52,321,217</u>	<u>41,823,976</u>	<u>17,443,939</u>		
Less: Unamortized Bonds Discounts	-	(703,760)	-		
Plus: Unamortized Bond Premiums	-	938,150	-		
Less: Unamortized Refunding Loss	-	(2,221,838)	-		
Total Bonds and Revenue Certificates	<u>\$ 181,326,217</u>	<u>\$ 112,636,528</u>	<u>\$ 54,876,511</u>		

B. Installment Purchase Agreements Payable

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$7,527,119. The stated interest rates ranged from 2.38% to 8.90%. Future minimum payments remaining under installment purchase agreements as of June 30, 2007, 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 Founda-

tion 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 near the

Table 12. Bonded Debt Outstanding

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 6,755,037	\$ 5,332,950	\$ 12,087,987
2009	6,232,420	5,051,892	11,284,312
2010	6,464,388	4,772,460	11,236,848
2011	6,777,263	4,481,080	11,258,343
2012	7,027,619	4,174,101	11,201,720
2013-2017	30,607,791	16,294,734	46,902,525
2018-2022	26,280,799	9,649,073	35,929,872
2023-2027	16,419,858	4,330,510	20,750,368
2028-2032	8,058,801	789,711	8,848,512
Subtotal	114,623,976	54,876,511	169,500,487
Less: Unamortized Bond Discounts	(703,760)	-	(703,760)
Plus: Unamortized Bond Premiums	938,150	-	938,150
Less: Unamortized Refunding Loss	(2,221,838)	-	(2,221,838)
Total	\$ 112,636,528	\$ 54,876,511	\$ 167,513,039

Table 13. Installment Purchase Agreements

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 1,587,235	\$ 153,969	\$ 1,741,204
2009	1,627,161	111,868	1,739,029
2010	1,197,279	50,246	1,247,525
2011	546,434	15,697	562,131
2012	88,131	2,151	90,282
Total	\$ 5,046,240	\$ 333,931	\$ 5,380,171

Table 14. Capital Leases Payable

Capital Leases	Interest Rate	Original Balances	Outstanding Balance At June 30, 2007
Shands Garage (607 spaces)	6.45%	\$ 1,382,470	\$ 1,014,636
Shands Garage (800 spaces)	6.45%	2,981,939	2,685,525
Total		\$ 4,364,409	\$ 3,700,161

Table 15. Capital Leases Principal and Interest

Fiscal Year Ending June 30	Principal	Interest	Total
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	113,647	213,520	327,167
2013-2017	688,113	947,721	1,635,834
2018-2022	940,563	695,271	1,635,834
2023-2027	965,865	369,969	1,335,834
2028-2031	602,199	79,301	681,500
Total	\$ 3,700,161	\$ 3,224,675	\$ 6,924,836

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, 2007, 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, 2007, the estimated liability for annual, sick, and compensatory leave is \$96,387,052, \$60,775,502, and \$220,995, 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.

12 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 \$91,331,311 for the fiscal year ended June 30, 2007.

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.

Table 16. Functional Expenses

Functional Classification	Amount (in thousands)
Instruction	\$ 548,535
Research	460,665
Public Service	151,812
Academic Support	116,585
Student Services	30,496
Institutional Support	106,589
Operations and Maintenance of Plant	104,633
Scholarships, Fellowships and Waivers	53,469
Auxiliary Operations	129,969
Depreciation	108,469
Total Operating Expenses	\$ 1,811,222

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 construction commitments at June 30, 2007, are presented in Table 17.

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 2006-07 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, 2005, June 30, 2006, and June 30, 2007, totaled \$24,323,691, \$26,643,733, and \$33,877,529 respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined

Table 17. Construction Commitments

Project Name	Total Commitment	Completed to Date	Balance Committed
GMP Laboratory at Cancer Genetics Building	\$ 1,612,849	\$ 1,439,589	\$ 173,260
Center for Performing Arts Expansion	1,522,000	537,723	984,277
College of Medicine/JAX Biomedical Research Lab	3,710,642	926,813	2,783,829
Communicore Renovations Phase 2	2,645,462	316,254	2,329,208
NIMET Nanoscale Research Facility (NRF)	35,341,005	20,743,748	14,597,257
George Steinbrenner Band Building	7,398,540	2,103,106	5,295,434
Pathogen Research Facility	20,750,000	747,950	20,002,050
Harrell Center Renovation	1,077,124	670,768	406,356
IFAS Statewide Repairs/Renovation	11,356,488	1,788,608	9,567,880
Indian River REC Biological and Agricultural Research	4,790,220	3,378,965	1,411,255
Law School Trial Center	4,120,000	55,304	4,064,696
Biomedical Sciences Building	92,400,000	6,900,065	85,499,935
Campus Security Lighting	1,250,000	955,273	294,727
Pugh Hall (Graham Center)	16,499,634	8,125,851	8,373,783
RA Reitz Union	1,500,000	200,000	1,300,000
2005-06 PECO Maintenance, Repair, Life Safety, ADA, etc. (Campus Planning)	1,305,287	739,295	565,992
2005-06 PECO Maintenance, Repair, Life Safety, ADA, etc. (IFAS)	2,033,339	1,576,758	456,581
2005-06 PECO Maintenance, Repair, Life Safety, ADA, etc. (PPD)	4,807,223	2,208,292	2,598,931
2005-06 Utilities/Infrastructure/Capital Renewal/Roofs	12,923,291	6,080,622	6,842,669
2006-07 PECO Maintenance, Repair, Life Safety, ADA, etc. (Campus Planning)	1,346,876	96,548	1,250,328
2006-07 PECO Maintenance, Repair, Life Safety, ADA, etc. (IFAS)	2,170,952	300,544	1,870,408
2006-07 PECO Maintenance, Repair, Life Safety, ADA, etc. (PPD)	5,338,734	3,731,738	1,606,996
2006-07 Utilities/Infrastructure/Capital Renewal/Roofs (IFAS)	1,050,000	274,612	775,388
2006-07 Utilities/Infrastructure/Capital Renewal/Roofs (PPD)	9,466,321	385,513	9,080,808
Rinker Hall Construction Yard	1,200,000	900,963	299,037
Subtotal	247,615,987	65,184,902	182,431,085
Projects Under \$1,000,000	15,996,335	7,931,833	8,064,502
Total	\$ 263,612,322	\$ 73,116,735	\$ 190,495,587

Table 18. Florida Retirement System Rates

Class or Plan	Percent of Gross Salary*
Florida Retirement System, Regular	9.85%
Florida Retirement System, Senior Management Services	13.12%
Florida Retirement System, Special Risk	20.92%
Deferred Retirement Option Program-Applicable to members from all of the above classes or plan	10.91%

* 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.

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 1,272 University participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$3,881,790.

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, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by salary deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account.

There were 5,352 University participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$41,120,466 and employee contributions totaled \$20,068,431.

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 74 University participants during the 2006-07 fiscal

year. Required employer contributions made to the program totaled \$1,247,459. Employees do not contribute to this program.

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 2006-07 fiscal year. Employer contributions totaled \$39,622, and employee contributions totaled \$21,818. Ninety employees were covered by the U.S. Civil Service Retirement System during the 2006-07 fiscal year. Employer contributions totaled \$520,652, and employee contributions totaled \$513,833.

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 2006-07 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 2006-07 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 Programs

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 2006-07 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. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

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 was reestablished by the Board of Governors effective July 1, 2006, by amending Board of Governors Regulation 6C-10.001, merging the then JHMHC Self-Insurance Program and the prior University of Florida JHMHC/Jacksonville Self-Insurance Program.

The Self-Insurance Programs provide general and professional liability protection for the University on behalf of the six health colleges of the JHMHC, which also include the Student Health Service Auxiliary, the Veterinary Medical Teaching Hospital, and the UF Proton Therapy Institute. 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 who 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 Council has created the University of Florida Healthcare Education Insurance Company (HEIC), a captive insurance company which is wholly owned by the Board of Governors and domiciled in the State of Vermont. HEIC is managed by a Board of Directors created by the Board of Governors. HEIC provides coverage for claims that are in excess of the protections afforded by the JHMHC 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.

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
2005-06	\$ 65,202,520	\$ 26,301,281	\$ (15,244,323)	\$ 76,259,478
2006-07	76,259,478	19,927,964	(8,143,892)	88,043,550

Claims settlement and adjustment expenses are accrued as expenses and liabilities of the University of Florida JHMHC 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 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, 2007, was \$88,043,550 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 \$20,007 for the Self-Insurance Programs at June 30, 2007. 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 2005-06 and 2006-07 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 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.

21 SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity’s related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. Transportation and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The 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, Inc. 6/30/2007	University of Florida Research Foundation, Inc. 6/30/2007	The University Athletic Association, Inc. 6/30/2007	Gator Boosters, Inc. 6/30/2007	The University of Florida Law Center Association, Inc. 6/30/2007	Florida Foundation Seed Producers, Inc. 6/30/2007
Condensed Statement of Net Assets						
Assets						
Due from Component Units/University	\$ -	\$ 2,485	\$ 1,989	\$ 7,166	\$ 5,603	\$ -
Other Current Assets	107,065	142,933	60,994	3,951	271	2,696
Capital Assets, Net	35,847	-	138,655	28	-	995
Other Noncurrent Assets	<u>1,404,990</u>	<u>1,116</u>	<u>40,930</u>	<u>485</u>	<u>489</u>	<u>-</u>
Total Assets	<u>1,547,902</u>	<u>146,534</u>	<u>242,568</u>	<u>11,630</u>	<u>6,363</u>	<u>3,691</u>
Liabilities						
Due to Component Units/University	7,770	14,449	154	6,680	-	1,037
Other Current Liabilities	8,164	25,470	61,662	381	66	18
Noncurrent Liabilities	<u>31,132</u>	<u>33,400</u>	<u>86,556</u>	<u>111</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>47,066</u>	<u>73,319</u>	<u>148,372</u>	<u>7,172</u>	<u>66</u>	<u>1,055</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	6,915	-	55,131	28	-	995
Restricted - Endowment	908,281	-	-	3,905	2,042	-
Restricted - Other	557,091	-	5,896	-	3,792	-
Unrestricted	<u>28,549</u>	<u>73,215</u>	<u>33,169</u>	<u>525</u>	<u>463</u>	<u>1,641</u>
Total Net Assets	<u>\$ 1,500,836</u>	<u>\$ 73,215</u>	<u>\$ 94,196</u>	<u>\$ 4,458</u>	<u>\$ 6,297</u>	<u>\$ 2,636</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets						
Operating Revenues	\$ 93,762	\$ 56,371	\$ 53,811	\$ 37,608	\$ 727	\$ 1,604
Operating Expenses	<u>(107,895)</u>	<u>(55,544)</u>	<u>(85,099)</u>	<u>(2,849)</u>	<u>(951)</u>	<u>(1,454)</u>
Operating Income (Loss)	(14,133)	827	(31,288)	34,759	(224)	150
Nonoperating Revenues (Expenses)						
Investment Income	191,462	15,452	7,471	1,170	827	64
Addition to Permanent Endowments	93,293	-	-	15	-	-
Other	(216)	(1,614)	(2,042)	-	80	8
Transfers from/(to) Component Units	<u>(3,130)</u>	<u>-</u>	<u>41,528</u>	<u>(35,909)</u>	<u>(750)</u>	<u>-</u>
Change in Net Assets	267,276	14,665	15,669	35	(67)	222
Net Assets, Beginning 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>
Net Assets, End of Year	<u>\$ 1,500,836</u>	<u>\$ 73,215</u>	<u>\$ 94,196</u>	<u>\$ 4,458</u>	<u>\$ 6,297</u>	<u>\$ 2,636</u>

<u>Florida 4-H Club Foundation, Inc. 3/31/2007</u>	<u>Southwest Fla. Research and Education Foundation, Inc. 6/30/2007</u>	<u>Citrus Research and Education Foundation, Inc. 6/30/2007</u>	<u>University of Florida Leadership & Education Foundation, Inc. 12/31/2006</u>	<u>Treasure Coast Agricultural Research Foundation, Inc. 6/30/2007</u>	<u>University of Florida Alumni Association, Inc. 6/30/2007</u>	<u>University of Florida Investment Corporation 6/30/2007</u>	<u>Total Direct Support Organizations</u>
\$ 2,872	\$ -	\$ 19	\$ 2,875	\$ -	\$ -	\$ -	\$ 23,009
1,805	68	858	1,219	440	-	1,082	323,382
-	124	33	-	2	-	79	175,763
<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,448,090</u>
<u>4,757</u>	<u>192</u>	<u>910</u>	<u>4,094</u>	<u>442</u>	<u>-</u>	<u>1,161</u>	<u>1,970,244</u>
-	-	-	-	-	-	-	30,090
72	-	28	771	-	-	642	97,274
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391</u>	<u>151,590</u>
<u>72</u>	<u>-</u>	<u>28</u>	<u>771</u>	<u>-</u>	<u>-</u>	<u>1,033</u>	<u>278,954</u>
-	124	(33)	-	2	-	79	63,241
2,825	-	-	2,232	-	-	-	919,285
1,168	-	-	-	-	-	-	567,947
<u>692</u>	<u>68</u>	<u>915</u>	<u>1,091</u>	<u>440</u>	<u>-</u>	<u>49</u>	<u>140,817</u>
<u>\$ 4,685</u>	<u>\$ 192</u>	<u>\$ 882</u>	<u>\$ 3,323</u>	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ 1,691,290</u>
\$ 1,522	\$ 82	\$ 464	\$ 2,548	\$ 1	\$ 1,744	\$ -	\$ 250,244
<u>(1,784)</u>	<u>(51)</u>	<u>(189)</u>	<u>(2,674)</u>	<u>(4)</u>	<u>(5,154)</u>	<u>(1,683)</u>	<u>(265,331)</u>
(262)	31	275	(126)	(3)	(3,410)	(1,683)	(15,087)
397	2	9	430	7	-	15	217,306
279	-	-	-	-	-	-	93,587
17	-	-	4	256	-	-	(3,507)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,410</u>	<u>1,698</u>	<u>6,847</u>
431	33	284	308	260	-	30	299,146
<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>
<u>\$ 4,685</u>	<u>\$ 192</u>	<u>\$ 882</u>	<u>\$ 3,323</u>	<u>\$ 442</u>	<u>\$ -</u>	<u>\$ 128</u>	<u>\$ 1,691,290</u>

Table 21. HEALTH SCIENCE CENTER AFFILIATES

(amounts expressed in thousands)

	Florida Clinical Practice Association, Inc. 6/30/2007	University of Florida Jacksonville Physicians, Inc. 6/30/2007	Faculty Associates, Inc. 6/30/2007
Condensed Statement of Net Assets			
Assets			
Due from Component Units/University	\$ 15,392	\$ 2,955	\$ 848
Other Current Assets	50,081	51,214	6,644
Capital Assets, Net	3,786	11,076	-
Other Noncurrent Assets	38,838	124	-
Total Assets	108,097	65,369	7,492
Liabilities			
Due to Component Units/University	-	5,300	-
Other Current Liabilities	16,826	17,523	1,923
Noncurrent Liabilities	20,553	15,455	-
Total Liabilities	37,379	38,278	1,923
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,391	311	-
Restricted	-	-	-
Unrestricted	67,327	26,780	5,569
Total Net Assets	\$ 70,718	\$ 27,091	\$ 5,569
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues	\$ 236,304	\$ 159,522	\$ 22,706
Operating Expenses	(184,578)	(162,829)	(13,583)
Operating Income (Loss)	51,726	(3,307)	9,123
Nonoperating Revenues (Expenses)			
Investment Income	3,041	1,504	179
Other	(82,508)	(6,499)	(9,427)
Transfers from/(to) Component Units	27,081	10,905	(350)
Change in Net Assets	(660)	2,603	(475)
Net Assets, Beginning of Year	71,378	24,488	6,044
Net Assets, End of Year	\$ 70,718	\$ 27,091	\$ 5,569

Florida Health Professions Association, Inc. 6/30/2007	UF College of Nursing Faculty Practice Association, Inc. 6/30/2007	UF College of Pharmacy Faculty Practice Association, Inc. 6/30/2007	Florida Veterinary Medicine Faculty Association, Inc. 6/30/2007	University of Florida Jacksonville Healthcare, Inc. 6/30/2007	Faculty Clinic, Inc. 6/30/2007	Total Health Science Center Affiliates
\$ 106	\$ 88	\$ 865	\$ 402	\$ -	\$ -	\$ 20,656
3,010	4,026	218	3,558	266	2,385	121,402
-	883	-	-	3,337	4,028	23,110
-	-	-	-	-	1,604	40,566
<u>3,116</u>	<u>4,997</u>	<u>1,083</u>	<u>3,960</u>	<u>3,603</u>	<u>8,017</u>	<u>205,734</u>
-	-	-	-	1,673	39	7,012
686	312	73	688	1,561	444	40,036
1,112	-	-	-	-	6,001	43,121
<u>1,798</u>	<u>312</u>	<u>73</u>	<u>688</u>	<u>3,234</u>	<u>6,484</u>	<u>90,169</u>
-	883	-	-	3,337	(2,272)	5,650
-	-	-	-	-	1,500	1,500
1,318	3,802	1,010	3,272	(2,968)	2,305	108,415
<u>\$ 1,318</u>	<u>\$ 4,685</u>	<u>\$ 1,010</u>	<u>\$ 3,272</u>	<u>\$ 369</u>	<u>\$ 1,533</u>	<u>\$ 115,565</u>
\$ 8,787	\$ 870	\$ 103	\$ 7,081	\$ 365	\$ 418	\$ 436,156
(2,486)	(515)	(98)	(929)	(18,107)	(1,234)	(384,359)
6,301	355	5	6,152	(17,742)	(816)	51,797
104	195	44	71	-	150	5,288
(57)	2	-	(6,435)	50	(282)	(105,156)
(5,749)	-	-	-	17,692	933	50,512
599	552	49	(212)	-	(15)	2,441
719	4,133	961	3,484	369	1,548	113,124
<u>\$ 1,318</u>	<u>\$ 4,685</u>	<u>\$ 1,010</u>	<u>\$ 3,272</u>	<u>\$ 369</u>	<u>\$ 1,533</u>	<u>\$ 115,565</u>

Table 22. SHANDS TEACHING HOSPITAL AND OTHERS

(amounts expressed in thousands)

	Shands Teaching Hospital & Clinics, Inc. 6/30/2007	Baby Gator Childcare Center, Inc. 6/30/2007	University Village Apartments, Inc. 6/30/2007	Total Shands Teaching Hospital and Others
Condensed Statement of Net Assets				
Assets				
Due from Component Units/University	\$ 6,465	\$ 281	\$ 93	\$ 6,839
Other Current Assets	668,498	90	122	668,710
Capital Assets, Net	704,911	26	787	705,724
Other Noncurrent Assets	317,463	-	798	318,261
Total Assets	1,697,337	397	1,800	1,699,534
Liabilities				
Due to Component Units/University	8,625	-	-	8,625
Other Current Liabilities	209,052	75	490	209,617
Noncurrent Liabilities	687,421	-	521	687,942
Total Liabilities	905,098	75	1,011	906,184
Net Assets				
Invested in Capital Assets, Net of Related Debt	123,484	26	153	123,663
Restricted - Endowments	289	-	-	289
Restricted - Other	4,757	-	-	4,757
Unrestricted	663,709	296	636	664,641
Total Net Assets	\$ 792,239	\$ 322	\$ 789	\$ 793,350
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 1,604,261	\$ 1,176	\$ 1,280	\$ 1,606,717
Operating Expenses	(1,501,410)	(1,161)	(1,301)	(1,503,872)
Operating Income (Loss)	102,851	15	(21)	102,845
Nonoperating Revenues (Expenses)				
Investment Income	30,798	14	6	30,818
Addition to Permanent Endowments	134	-	-	134
Other	(88,008)	-	(21)	(88,029)
Transfers from/(to) Component Units	(26,218)	-	-	(26,218)
Change in Net Assets	19,557	29	(36)	19,550
Net Assets, Beginning of Year	772,682	293	825	773,800
Net Assets, End of Year	\$ 792,239	\$ 322	\$ 789	\$ 793,350

Table 23 : SEGMENT INFORMATION

	<u>Transportation and Parking Services</u>	<u>Division of Housing</u>
CONDENSED STATEMENT OF NET ASSETS		
Assets		
Current Assets	\$ 4,780,281	\$ 16,644,482
Capital Assets, Net	29,429,291	65,909,999
Other Noncurrent Assets	<u>3,400,411</u>	<u>4,378,116</u>
Total Assets	<u>37,609,983</u>	<u>86,932,597</u>
Liabilities		
Current Liabilities	3,767,550	6,207,803
Noncurrent Liabilities	<u>14,531,150</u>	<u>57,194,195</u>
Total Liabilities	<u>18,298,700</u>	<u>63,401,998</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	12,859,635	12,092,568
Restricted	3,403,310	3,632,424
Unrestricted	<u>3,048,338</u>	<u>7,805,607</u>
Total Net Assets	<u>\$ 19,311,283</u>	<u>\$ 23,530,599</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS		
Operating Revenues (Expenses)		
Operating Revenues	\$ 15,978,346	\$ 38,840,026
Depreciation Expense	(1,853,713)	(3,571,064)
Other Operating Expenses	<u>(11,434,000)</u>	<u>(27,136,810)</u>
Operating Income	<u>2,690,633</u>	<u>8,132,152</u>
Nonoperating Revenues (Expenses)		
Investment Income	404,250	1,329,111
Interest Expense	(897,763)	(2,948,815)
Other	(87,384)	(1,778,277)
Capital Related Expenses	-	(716,117)
Transfers	<u>(461,585)</u>	<u>-</u>
Net Nonoperating Revenues (Expenses)	<u>(1,042,482)</u>	<u>(4,114,098)</u>
Change in Net Assets	1,648,151	4,018,054
Adjustment to Beginning Net Assets	-	6,897,094
Net Assets Beginning of Year	<u>17,663,132</u>	<u>12,615,451</u>
Net Assets, End of Year	<u>\$ 19,311,283</u>	<u>\$ 23,530,599</u>
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by:		
Operating Activities	\$ 3,950,054	\$ 12,315,362
Noncapital Financing Activities	(615,555)	(2,374,552)
Capital and Related Financing Activities	(3,444,638)	(7,303,973)
Investing Activities	<u>(526,739)</u>	<u>2,039,193</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(636,878)	4,676,030
Cash and Cash Equivalents, Beginning of Year	<u>2,400</u>	<u>11,472,408</u>
Cash and Cash Equivalents, End of Year	<u>\$ (634,478)</u>	<u>\$ 16,148,438</u>

FINANCIAL AID ADMINISTERED for the Fiscal Year Ended June 30, 2007 (unaudited)

	2006-07 Number of Recipients	Aid Disbursed
Federal Programs		
Pell Grants	7,742	\$ 20,170,115
Supplemental Educational Opportunity Grants	1,992	2,114,229
National SMART Grant	634	1,889,224
Academic Competitiveness Grants	1,590	1,380,553
Perkins Student Loans	2,631	7,392,790
Health Professions Student Loans (PCL, LDS, HPSL)	58	829,314
Direct Loans	<u>18,507</u>	<u>160,093,178</u>
Total Federal Financial Aid Administered	<u>33,154</u>	<u>\$ 193,869,403</u>
State Programs		
Loans:		
University of Florida Short-Term Loans	745	\$ 679,023
Student Aid For Education (SAFE) Loans	441	812,055
University of Florida Long-Term Loans	<u>104</u>	<u>329,722</u>
Total Loans Administered	<u>1,290</u>	<u>1,820,800</u>
Scholarships and Grants:		
Racing	561	606,875
State of Florida Financial Aid Programs	31,269	81,962,599
Lottery Trust Grant Funded Waivers	<u>663</u>	<u>1,129,637</u>
Total State Scholarships and Grants Administered	<u>32,493</u>	<u>83,699,111</u>
Total State Financial Aid Administered	<u>33,783</u>	<u>\$ 85,519,911</u>
Other Scholarships and Grants		
Institutional Grants:		
College Awarded Scholarships	16,869	\$ 37,371,252
Graduate Tuition Remission Waivers	7,171	9,720,594
General Scholarships	<u>6,134</u>	<u>12,802,646</u>
Total Institutional Grants	<u>30,174</u>	<u>59,894,492</u>
Custodial Scholarships:		
Tuition, Trusts, Clubs, Service Organizations, etc.	<u>4,748</u>	<u>9,044,799</u>
Total Other Scholarships and Grants	<u>34,922</u>	<u>\$ 68,939,291</u>
Fee Waivers		
Non-Resident Tuition Waivers	1,212	\$ 5,883,503
Other Waivers	<u>10,526</u>	<u>22,163,636</u>
Total Fee Waivers Administered	<u>11,738</u>	<u>\$ 28,047,139</u>
Total Financial Aid Administered		<u>\$ 376,375,744</u>

UNIVERSITY OF FLORIDA

ANNUAL FINANCIAL REPORT 2006-07

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