

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**UNIVERSITY OF WEST FLORIDA**

For the Fiscal Year Ended  
June 30, 2020



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the 2019-20 fiscal year, Dr. Martha D. Saunders served as President of the University of West Florida and the following individuals served as Members of the Board of Trustees:

David E. Cleveland, Chair from 1-1-20, Vice Chair through 12-31-19	Zenani D. Johnson through 4-2-20 <sup>c</sup> Robert L. Jones
Suzanne Lewis, Vice Chair from 1-1-20	Jordan Negron from 4-3-20 <sup>c</sup>
John Mortimer O'Sullivan, Chair through 12-31-19 <sup>a</sup>	Dr. David Ramsey through 8-7-19 <sup>d</sup> Dr. Sherry Schneider from 8-8-19 <sup>d</sup>
Richard R. Baker	Alonzie Scott
Lewis Bear Jr.	Jill Singer
Greg Britton	Robert D. Sires
Adrienne Collins through 1-6-20 <sup>b</sup>	Stephanie White from 1-6-20 <sup>a</sup>

<sup>a</sup> Trustee position vacant 1-1-20, through 1-5-20.

<sup>b</sup> Trustee position vacant 1-7-20, through 6-30-20.

<sup>c</sup> Student Government President.

<sup>d</sup> Faculty Senate Chair.

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

The team leader was Christy L. Johnson, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

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

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**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722**

**UNIVERSITY OF WEST FLORIDA**  
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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

### AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2020. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

### AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the University of West 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, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of West Florida and of its aggregate discretely presented component units as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2021, on our consideration of the University of West Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts,

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 19, 2021

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

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Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2020, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2020, and June 30, 2019.

### **FINANCIAL HIGHLIGHTS**

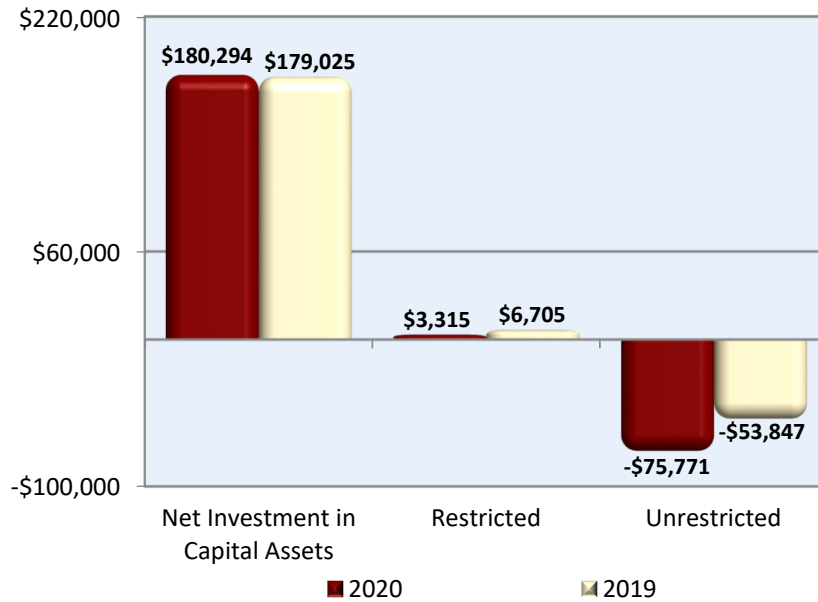
The University's assets and deferred outflows of resources totaled \$348.7 million at June 30, 2020. This balance reflects an \$11.9 million, or 3.5 percent, increase as compared to the 2018-19 fiscal year, resulting from a liquidation of investments in support of increased operational needs. This was offset by an increase in deferred outflows of resources related to changes in assumptions used in the calculation of other postemployment benefits. Liabilities and deferred inflows of resources increased by \$35.9 million, or 17.5 percent, totaling \$240.9 million at June 30, 2020. These increases were also the result of changes in pensions and other postemployment benefits. As a result, the University's net position decreased by \$24 million, resulting in a fiscal year-end balance of \$107.8 million.

The University's operating revenues totaled \$79.6 million for the 2019-20 fiscal year, representing an insignificant decrease from the 2018-19 fiscal year. Operating expenses totaled \$268.9 million for the 2019-20 fiscal year, representing an increase of 4.5 percent as compared to the 2018-19 fiscal year due mainly to compensation and employee benefits related to cost of living increases, pension expenses, and other postemployment benefits.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2020, and June 30, 2019, is shown in the following graph:

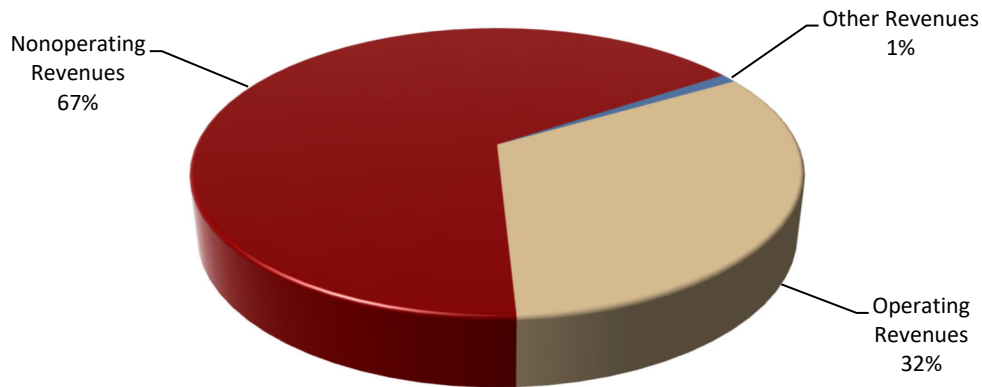


**Net Position  
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2019-20 fiscal year:

**Total Revenues  
2019-20 Fiscal Year**



**OVERVIEW OF FINANCIAL STATEMENTS**

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

- University of West Florida Foundation, Inc.
- West Florida Historic Preservation, Inc.
- UWF Business Enterprises, Inc.

Based on the application of the criteria for determining component units, these component units are included within the University reporting entity as discretely presented component units. Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. The University's component units report under GASB standards and, consequently, MD&A information is included in their separately issued audit reports.

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

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

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

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

(In Thousands)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current Assets	\$ 112,528	\$ 121,405
Capital Assets, Net	180,294	179,025
Other Noncurrent Assets	<u>1,064</u>	<u>2,621</u>
<b>Total Assets</b>	<u>293,886</u>	<u>303,051</u>
<b>Deferred Outflows of Resources</b>	<u>54,856</u>	<u>33,832</u>
<b>Liabilities</b>		
Current Liabilities	14,136	16,587
Noncurrent Liabilities	<u>203,368</u>	<u>166,291</u>
<b>Total Liabilities</b>	<u>217,504</u>	<u>182,878</u>
<b>Deferred Inflows of Resources</b>	<u>23,400</u>	<u>22,122</u>
<b>Net Position</b>		
Net Investment in Capital Assets	180,294	179,025
Restricted	3,315	6,705
Unrestricted	<u>(75,771)</u>	<u>(53,847)</u>
<b>Total Net Position</b>	<u>\$ 107,838</u>	<u>\$ 131,883</u>

Current assets decreased mainly due to the use of cash and investments to meet operational needs during the 2019-20 fiscal year. The \$21 million increase in deferred outflow of resources, directly attributable to entries required in accounting for pensions under Governmental Accounting Standards Board (GASB) Statement No. 68 and for other postemployment benefits under GASB Statement No. 75, was the primary contributor to the \$21.9 million decrease in unrestricted net position.

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

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

The following summarizes the University’s activity for the 2019-20 and 2018-19 fiscal years:

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

(In Thousands)

	2019-20	2018-19
Operating Revenues	\$ 79,622	\$ 79,929
Less, Operating Expenses	268,877	257,217
<b>Operating Loss</b>	(189,255)	(177,288)
Net Nonoperating Revenues	162,764	160,594
<b>Loss Before Other Revenues</b>	(26,491)	(16,694)
Other Revenues	2,446	5,447
<b>Net Decrease In Net Position</b>	(24,045)	(11,247)
Net Position, Beginning of Year	131,883	143,130
<b>Net Position, End of Year</b>	\$ 107,838	\$ 131,883

**Operating Revenues**

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

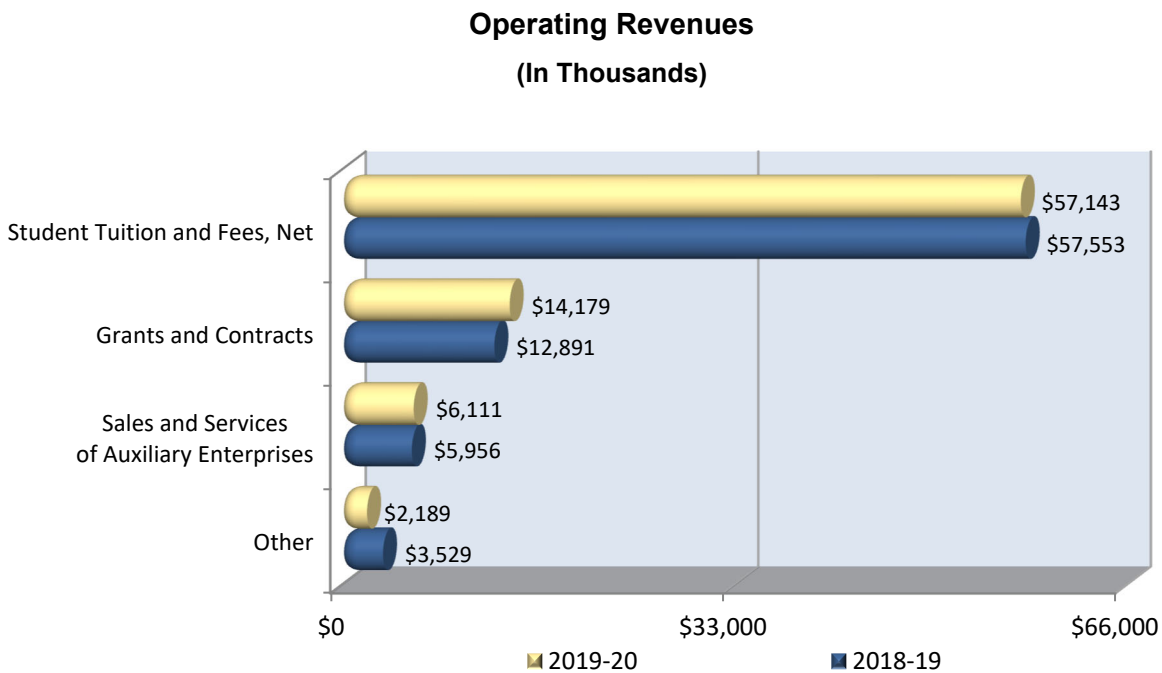
The following summarizes the operating revenues by source that were used to fund operating activities for the 2019-20 and 2018-19 fiscal years:

## Operating Revenues For the Fiscal Years

(In Thousands)

	2019-20	2018-19
Student Tuition and Fees, Net	\$ 57,143	\$ 57,553
Grants and Contracts	14,179	12,891
Sales and Services of Auxiliary Enterprises	6,111	5,956
Other	2,189	3,529
<b>Total Operating Revenues</b>	<b>\$ 79,622</b>	<b>\$ 79,929</b>

The following chart presents the University's operating revenues for the 2019-20 and 2018-19 fiscal years:



Total operating revenues for the 2019-20 fiscal year were \$79.6 million, of which \$57.1 million was from net student tuition and fees. Tuition allowances, which represent the difference between the stated charges for goods and services provided by the University and the amount that is actually paid by a student or third-party making payment on behalf of the student, totaled \$28 million and are deducted from gross student tuition and fees of \$85.1 million to arrive at net student tuition and fees. Net student tuition and fees was \$57.1 million for the 2019-20 fiscal year, which represents a small decrease from the 2018-19 fiscal year resulting from a decline in student credit hours. The \$1.3 million increase in grants and contracts revenue is mainly attributable to the Coronavirus Aid, Relief, and Economic Security Act (CARES) Institutional Aid that the University received in the 2019-20 fiscal year.

### **Operating Expenses**

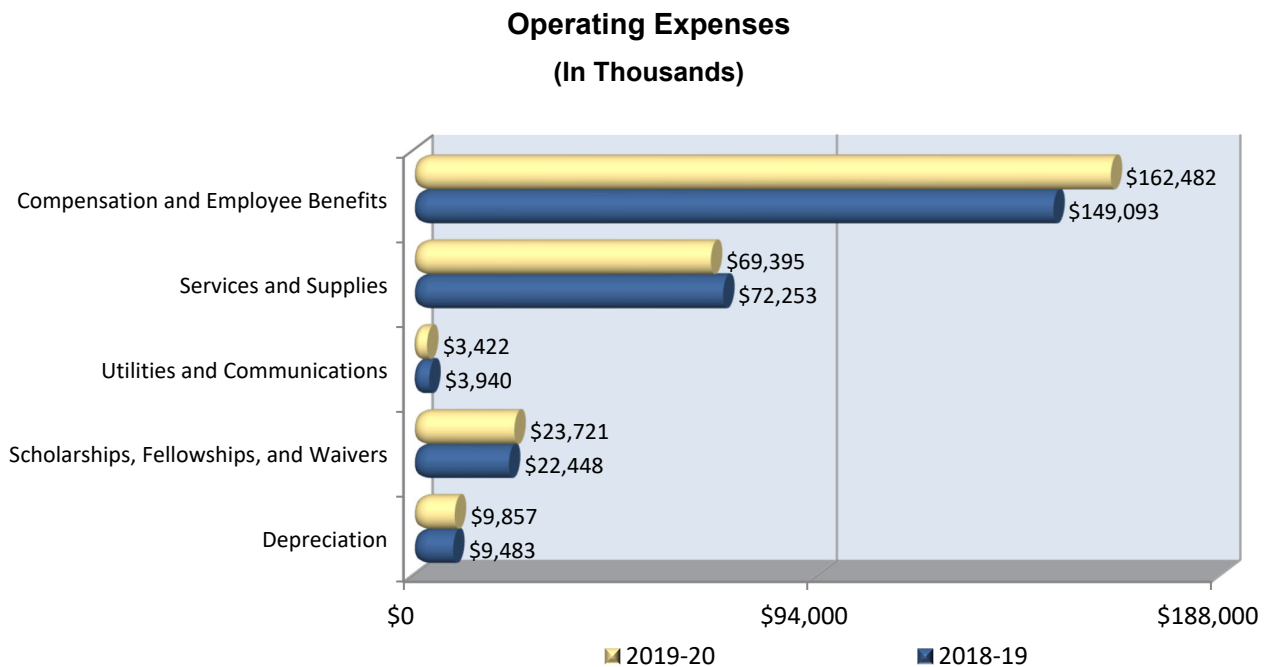
Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the

choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements. The following summarizes operating expenses by natural classification for the 2019-20 and 2018-19 fiscal years:

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

	<u>2019-20</u>	<u>2018-19</u>
Compensation and Employee Benefits	\$ 162,482	\$ 149,093
Services and Supplies	69,395	72,253
Utilities and Communications	3,422	3,940
Scholarships, Fellowships, and Waivers	23,721	22,448
Depreciation	9,857	9,483
<b>Total Operating Expenses</b>	<b><u>\$ 268,877</u></b>	<b><u>\$ 257,217</u></b>

The following chart presents the University’s operating expenses for the 2019-20 and 2018-19 fiscal years:



Compensation and employee benefits increased by \$13.4 million for the 2019-20 fiscal year due to a 1.8 percent cost of living increase and the \$13 million increase in pension expense resulting from the change in assumptions. Services and supplies decreased by \$2.9 million due primarily to a decrease in contractual services related to marketing.

## **Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2019-20 and 2018-19 fiscal years:

	<b>2019-20</b>	<b>2018-19</b>
State Noncapital Appropriations	\$ 119,676	\$ 119,801
Federal and State Student Financial Aid	32,996	28,638
Noncapital Grants, Contracts, and Gifts	5,608	7,154
Investment Income	4,623	5,141
Other Nonoperating Revenues	53	59
Loss on Disposal of Capital Assets	(161)	(179)
Other Nonoperating Expenses	(31)	(20)
<b>Net Nonoperating Revenues</b>	<b>\$ 162,764</b>	<b>\$ 160,594</b>

The \$4.4 million increase in Federal and State student financial aid is the result of \$1.8 million in grants awarded to students related to the CARES Student Aid funding, and increased student use of the Bright Futures program made possible by enhancements to the program implemented in the 2017-18, 2018-19, and 2019-20 fiscal years. The \$1.5 million decrease in noncapital grants, contracts, and gifts is related to decreased support from the University's direct-support organizations.

## **Other Revenues**

This category is mainly composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2019-20 and 2018-19 fiscal years:

	<b>2019-20</b>	<b>2018-19</b>
State Capital Appropriations	\$ 1,196	\$ 2,620
Capital Grants, Contracts, Donations, and Fees	1,250	2,827
<b>Total</b>	<b>\$ 2,446</b>	<b>\$ 5,447</b>

The \$1.4 million reduction in State capital appropriations resulted from a decrease in State funding for construction projects. The \$1.6 million reduction in capital grants, contracts, donations, and fees is a result of a decrease in capital donations from the University's direct-support organizations.

## The Statement of Cash Flows

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

The following summarizes cash flows for the 2019-20 and 2018-19 fiscal years:

### **Condensed Statement of Cash Flows For the Fiscal Years (In Thousands)**

	<u>2019-20</u>	<u>2018-19</u>
Cash Provided (Used) by:		
Operating Activities	\$ (164,497)	\$ (161,444)
Noncapital Financing Activities	156,199	155,544
Capital and Related Financing Activities	(6,781)	(4,917)
Investing Activities	<u>15,713</u>	<u>12,958</u>
<b>Net Increase in Cash and Cash Equivalents</b>	634	2,141
Cash and Cash Equivalents, Beginning of Year	<u>8,725</u>	<u>6,584</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 9,359</u>	<u>\$ 8,725</u>

Major sources of funds came from proceeds from sale and maturities of investments (\$140 million), State noncapital appropriations (\$119.7 million), net student tuition and fees (\$55.9 million), Federal Direct Student Loan receipts (\$41.9 million), Federal and State student financial aid (\$33 million), State capital appropriations (\$4.5 million), grants and contracts (\$13.1 million), noncapital grants, contracts, and donations (\$5.6 million), and sales and services of auxiliary enterprises (\$6.1 million). Major uses of funds were for purchases of investments totaling \$127.6 million, payments made to and on behalf of employees totaling \$144.5 million; payments to suppliers totaling \$74.3 million; disbursements to students for Federal Direct Student Loans totaling \$41.9 million, purchases or construction of capital assets totaling \$11.2 million, and payments to and on behalf of students for scholarships totaling \$23.7 million.

Although purchases or construction of capital assets declined significantly from that of the prior fiscal year, an even greater decrease in State capital appropriations is the main contributor to an increase in cash used by capital financing activities over the prior fiscal year. Sales of investments exceeded purchases of investments by a greater amount in the current fiscal year than in the prior fiscal year, due to the need of investment funds towards operational costs. That increase in cash provided by investing activities was supplemented by an increase in cash investment income.

<b>CAPITAL ASSETS AND CAPITAL EXPENSES AND COMMITMENTS</b>
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**Capital Assets**

At June 30, 2020, the University had \$365.2 million in capital assets, less accumulated depreciation of \$184.9 million, for net capital assets of \$180.3 million. Depreciation charges for the current fiscal year totaled \$9.9 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

<b>Capital Assets, Net at June 30</b>		
<b>(In Thousands)</b>		
	<b>2020</b>	<b>2019</b>
Land	\$ 11,589	\$ 11,589
Works of Art and Historical Treasures	17,847	16,451
Construction in Progress	3,853	1,516
Buildings	119,274	120,330
Infrastructure and Other Improvements	14,508	15,682
Furniture and Equipment	11,517	12,203
Leasehold Improvements	1,704	1,252
Computer Software	2	2
<b>Capital Assets, Net</b>	<b>\$ 180,294</b>	<b>\$ 179,025</b>

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

**Capital Expenses and Commitments**

Major capital expenses through June 30, 2020, were incurred for the construction of the Medium Voltage Switchgear which is the power substation that supplies power to the main campus. The University's construction commitments at June 30, 2020, are as follows:

	<b>Amount</b>
	<b>(In Thousands)</b>
Total Committed	\$ 4,549
Completed to Date	(3,853)
<b>Balance Committed</b>	<b>\$ 696</b>

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

<b>ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE</b>
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The University's economic condition is closely tied to that of the State of Florida. Due to lingering concerns over the cost of higher education in the State of Florida and the uncertainties of the economic outlook due to the Coronavirus, the Legislature provided for no increase in student tuition or tuition differential fees for the University for the 2020-21 fiscal year. University management continues to aggressively pursue a continuous performance improvement plan. Although there is no longer any



funding associated with placing in the top three on performance metrics, the University will receive a portion of the performance funding State Investment allocation as a component of its State noncapital appropriation. Regarding the University's legislative priorities, the University submitted over \$21.1 million in Legislative Budget Request projects for the 2021-22 fiscal year. The project list includes \$15.3 million for Cyber Coast for Florida's Future, \$3.1 million for Student Success and Affordability, \$1.87 million for Success in STEM for Florida's Economy, and \$1 million for Developing Talent for Florida's future. If these requests are approved and funded, the University would not only see a \$21.1 million increase in State noncapital appropriations, but would be poised to capture additional operating revenue in the form of tuition and fees associated with increased student enrollment within the Cybersecurity field.

The outbreak of the novel strain of Coronavirus, specifically identified as "COVID-19," was classified as a global pandemic in March 2020. This resulted in governments enacting emergency measures such as travel bans, quarantine periods, and social distancing requirements to combat the spread of the virus. These measures caused a material disruption to businesses globally resulting in an economic slowdown. Governments reacted with significant monetary and fiscal interventions such as the CARES grants investments designed to stabilize economic conditions. In March 2020, the University moved to an online learning platform for the remainder of the academic year but returned in the Fall 2020 semester with a mixture of in-person and online courses. The duration of the outbreak and economic impacts are uncertain at this time. This may impact future University operations.

#### REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Controller's Office, University of West Florida, 11000 University Parkway, Building 20E, Pensacola, Florida 32514.

# BASIC FINANCIAL STATEMENTS

**UNIVERSITY OF WEST FLORIDA**  
**A Component Unit of the State of Florida**  
**Statement of Net Position**

June 30, 2020

	<b>University</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 8,305,049	\$ 3,661,451
Investments	89,865,885	5,572,310
Accounts Receivable, Net	9,741,188	441,496
Contributions Receivable, Net	-	454,886
Loans and Notes Receivable, Net	22,316	68,339
Due from State	4,593,853	-
Due from University	-	73,245
Inventories	-	109,824
Other Current Assets	-	659,912
<b>Total Current Assets</b>	<b>112,528,291</b>	<b>11,041,463</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,054,106	8,257,951
Restricted Investments	-	88,861,764
Contributions Receivable, Net	-	3,773,646
Depreciable Capital Assets, Net	147,005,398	52,664,423
Nondepreciable Capital Assets	33,289,038	4,854,029
Other Noncurrent Assets	8,728	5,310,254
<b>Total Noncurrent Assets</b>	<b>181,357,270</b>	<b>163,722,067</b>
<b>Total Assets</b>	<b>293,885,561</b>	<b>174,763,530</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	28,185,393	-
Pensions	26,670,153	-
<b>Total Deferred Outflows of Resources</b>	<b>54,855,546</b>	<b>-</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	2,758,914	583,569
Construction Contracts Payable	311,299	-
Salary and Wages Payable	6,182,869	-
Deposits Payable	426,597	-
Due to Component Units	73,245	-
Unearned Revenue	929,726	83,531
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	2,780,073
Revenue Received in Advance	162,027	766,924
Compensated Absences Payable	1,564,731	-
Other Postemployment Benefits Payable	1,457,796	-
Net Pension Liability	268,985	-
<b>Total Current Liabilities</b>	<b>14,136,189</b>	<b>4,214,097</b>

	<u>University</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	-	38,197,607
Revenue Received in Advance	9,960,246	8,460,285
Compensated Absences Payable	15,084,840	420,532
Other Postemployment Benefits Payable	111,271,539	-
Net Pension Liability	67,051,135	-
Other Noncurrent Liabilities	-	2,033,988
<b>Total Noncurrent Liabilities</b>	<u>203,367,760</u>	<u>49,112,412</u>
<b>Total Liabilities</b>	<u>217,503,949</u>	<u>53,326,509</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	18,843,514	-
Pensions	4,555,993	-
Irrevocable Split-Interest Agreements	-	1,409,663
<b>Total Deferred Inflows of Resources</b>	<u>23,399,507</u>	<u>1,409,663</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	180,294,436	16,540,772
Restricted for Nonexpendable:		
Endowment	-	63,513,251
Restricted for Expendable:		
Loans	464,880	-
Capital Projects	3,080,170	-
Other	(230,664)	43,790,874
Unrestricted	<u>(75,771,171)</u>	<u>(3,817,539)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 107,837,651</u>	<u>\$ 120,027,358</u>

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

**UNIVERSITY OF WEST FLORIDA**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**

	<u>University</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$27,996,755	\$ 57,142,607	\$ -
Federal Grants and Contracts	13,196,629	-
State and Local Grants and Contracts	981,884	-
Sales and Services of Component Units	-	1,864,094
Sales and Services of Auxiliary Enterprises	6,111,387	-
Gifts and Donations	-	5,391,789
Other Operating Revenues	2,189,256	9,184,454
<b>Total Operating Revenues</b>	<u>79,621,763</u>	<u>16,440,337</u>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	162,481,696	5,405,103
Services and Supplies	69,395,180	2,671,662
Utilities and Communications	3,422,276	1,007,617
Scholarships, Fellowships, and Waivers	23,720,569	5,563
Depreciation	9,856,944	3,721,751
<b>Total Operating Expenses</b>	<u>268,876,665</u>	<u>12,811,696</u>
<b>Operating Income (Loss)</b>	<u>(189,254,902)</u>	<u>3,628,641</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	119,675,512	-
Federal and State Student Financial Aid	32,996,396	-
Noncapital Grants, Contracts, and Gifts	5,607,873	-
Investment Income	4,622,835	1,083,412
Other Nonoperating Revenues	53,484	-
Loss on Disposal of Capital Assets	(161,033)	-
Interest on Capital Asset-Related Debt	-	(1,549,899)
Other Nonoperating Expenses	(31,534)	(5,659,126)
<b>Net Nonoperating Revenues (Expenses)</b>	<u>162,763,533</u>	<u>(6,125,613)</u>
<b>Loss Before Other Revenues</b>	<u>(26,491,369)</u>	<u>(2,496,972)</u>
State Capital Appropriations	1,196,466	-
Capital Grants, Contracts, Donations, and Fees	1,249,530	-
Additions to Permanent Endowments	-	2,845,472
<b>Increase (Decrease) in Net Position</b>	<u>(24,045,373)</u>	<u>348,500</u>
Net Position, Beginning of Year	<u>131,883,024</u>	<u>119,678,858</u>
<b>Net Position, End of Year</b>	<u>\$ 107,837,651</u>	<u>\$ 120,027,358</u>

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

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**UNIVERSITY OF WEST FLORIDA**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2020**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 55,874,537
Grants and Contracts	13,107,658
Sales and Services of Auxiliary Enterprises	6,111,387
Interest on Loans and Notes Receivable	722
Payments to Employees	(144,528,834)
Payments to Suppliers for Goods and Services	(74,349,344)
Payments to Students for Scholarships and Fellowships	(23,720,569)
Collections on Loans to Students	(1,665)
Other Operating Receipts	3,009,083
	<b>(164,497,025)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	119,672,136
Noncapital Grants, Contracts, and Gifts	5,607,873
Federal and State Student Financial Aid	32,996,396
Federal Direct Loan Program Receipts	41,943,823
Federal Direct Loan Program Disbursements	(41,943,823)
Net Change in Funds Held for Others	(1,864,121)
Other Nonoperating Disbursements	(212,857)
	<b>156,199,427</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	4,462,372
Purchase or Construction of Capital Assets	(11,243,735)
	<b>(6,781,363)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	140,000,000
Purchases of Investments	(127,580,999)
Investment Income	3,293,718
	<b>15,712,719</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>633,758</b>
Cash and Cash Equivalents, Beginning of Year	8,725,397
	<b>\$ 9,359,155</b>

	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (189,254,902)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,856,944
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(2,023,316)
Other Assets	17,434
Accounts Payable	(1,221,250)
Salaries and Wages Payable	644,332
Deposits Payable	344,908
Compensated Absences Payable	854,517
Unearned Revenue	912,174
Revenue Received in Advance	(752,141)
Other Liabilities	(329,738)
Other Postemployment Benefits Payable	29,372,335
Net Pension Liability	6,827,837
Deferred Outflows of Resources Related to Other Postemployment Benefits	(24,804,938)
Deferred Inflows of Resources Related to Other Postemployment Benefits	2,058,068
Deferred Outflows of Resources Related to Pensions	3,780,857
Deferred Inflows of Resources Related to Pensions	(780,146)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (164,497,025)</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND  
CAPITAL FINANCING ACTIVITIES**

Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 1,423,092
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (161,033)
Donations of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 1,249,530

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **1. Summary of Significant Accounting Policies**

**Reporting Entity.** The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

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

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University in achieving excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards. Florida Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- University of West Florida Foundation, Inc. provides funding and services to support and foster the pursuit of higher education at the University and operates solely for the benefit of the University and its mission of teaching, research, and service. The Foundation serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. The Foundation does not serve any private causes, but generally benefits the public.
- West Florida Historic Preservation, Inc. was established to engage in the restoration and exhibition of historical landmarks in the Pensacola, Florida vicinity. This organization conducts certain activities and programs that assist and promote the purposes of the University.
- UWF Business Enterprises, Inc. was established to receive, hold, develop, provide, maintain, and administer property and to make expenditures to or for the exclusive benefit of the University or



a research and development park or research and development authority of or affiliated with the University and to promote, encourage, build and manage public-private partnerships in order to create new services and business to support the campus community.

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

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

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

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

The University's discretely presented component units use the economic resources measurement focus and the accrual basis of accounting and follow GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these

activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

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

**Capital Assets**. University capital assets consist of land, works of art and historical treasures, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, leasehold improvements, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for new buildings and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 10 to 50 years
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 5 to 20 years
- Library Resources – 10 years

- Leasehold Improvements – 10 years or the term of the lease, whichever is greater
- Computer Software – 5 years

**Noncurrent Liabilities.** Noncurrent liabilities include compensated absences payable, revenue received in advance, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

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

## 2. Deficit Net Position in Individual Funds

The University reported an unrestricted net position which included a deficit in the current funds – unrestricted as shown below.

<u>Fund</u>	<u>Net Position</u>
General Revenue Fund	\$ (133,110,965)
All Other Current Unrestricted Funds	57,339,794
<b>Total</b>	<b>\$ (75,771,171)</b>

As shown in the following schedule, this deficit can be attributed to the full recognition of long-term liabilities (i.e. compensated absences payable, other postemployment benefits (OPEB) payable, and net pension liabilities) in the current unrestricted funds that are expected to be paid over time and financed by future appropriations:

<u>Description</u>	<u>Amount</u>
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources	\$ 89,471,816
Amount Expected to be Financed in Future Years:	
Compensated Absences Payable	\$ (16,649,571)
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(103,387,456)
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(45,205,960)</u>
Total Amount Expected to be Financed in Future Years	<u>(165,242,987)</u>
<b>Total Unrestricted Net Position</b>	<b>\$ (75,771,171)</b>

## 3. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements

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

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

All of the University's recurring fair value measurements as of June 30, 2020, are valued using quoted market prices (Level 1 inputs), with the exception of corporate bonds and notes and obligations of United States (U.S.) Government agencies and instrumentalities which are valued using a matrix pricing model (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2020, are reported as follows:

Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 58,833,602	\$ -	\$ -	\$ 58,833,602
United States Treasury Securities	4,477,117	4,477,117	-	-
Obligations of United States Government				
Agencies and Instrumentalities	4,269,872	-	4,269,872	-
Bonds and Notes	15,035,704	-	15,035,704	-
Mutual Funds:				
Equities	6,096,403	6,096,403	-	-
Total Investments by Fair Value Level	88,712,698	\$ 10,573,520	\$ 19,305,576	\$ 58,833,602
<b>Investments at Amortized Cost</b>				
SBA Florida Prime	1,153,187			
<b>Total Investments</b>	<b>\$ 89,865,885</b>			

### **External Investment Pools.**

The University reported investments at fair value totaling \$58,833,602 at June 30, 2020, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a

share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 0.43 years, and fair value factor of 1.0291 at June 30, 2020. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2020, the University reported investments totaling \$1,153,187 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 53 days as of June 30, 2020. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

## Other Investments.

The following risks apply to the University's investments in other than external investment pools:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University in debt securities and bond and notes, and their future maturities at June 30, 2020, are as follows:

### University Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1-5	More Than 5
United States Treasury Securities	\$ 4,477,117	\$ -	\$ 4,477,117	\$ -
Obligations of United States Government Agencies and Instrumentalities	4,269,872	-	1,423,141	2,846,731
Bonds and Notes	15,035,704	1,198,095	13,268,910	568,699
<b>Total Investments</b>	<b>\$23,782,693</b>	<b>\$ 1,198,095</b>	<b>\$19,169,168</b>	<b>\$ 3,415,430</b>

*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. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The following schedule represents the ratings at June 30, 2020, of the University's debt instruments using Moody's and Standard & Poor's, nationally recognized rating agencies:

### University Debt Investments Quality Ratings

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Less Than A
United States Treasury Securities	\$ 4,477,117	\$ 4,477,117	\$ -	\$ -	\$ -
Obligations of United States Government Agencies and Instrumentalities	4,269,872	4,269,872	-	-	-
Bonds and Notes	15,035,704	6,356,865	2,279,158	6,256,527	143,154
<b>Total Investments</b>	<b>\$23,782,693</b>	<b>\$15,103,854</b>	<b>\$ 2,279,158</b>	<b>\$ 6,256,527</b>	<b>\$ 143,154</b>

*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's investment policies require diversification sufficient to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. The University's policy considers credit risk on an investment type basis and established that in equities, no more than 10 percent of the portfolio should be invested in any one company.

## Component Units' Investments.

The University of West Florida Foundation, Inc. (Foundation) has an investment policy which provides guidelines for the investment of Foundation assets. The purpose of these assets is to further the overall mission of the University. The objectives of the assets are the enhancement of capital and real purchasing power while limiting exposure to risk of loss. Real purchasing power of real rate of return will be defined as returns in excess of inflation as defined by Consumer Price Index. The investment policy provides information on authorized asset classes, target allocations and ranges of acceptable investment categories.

Investments held by the Foundation at June 30, 2020, are reported at fair value as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Investments Measured at Fair Value:				
Equity Securities - Domestic and International	\$ 60,545,211	\$ 60,545,211	\$ -	\$ -
Debt Securities	17,139,174	10,946,624	6,192,550	-
Alternative Investments:				
Private Equity Investments	2,175,468	-	-	2,175,468
Real Estate Investment Trust	2,679,222	-	-	2,679,222
Total Alternative Investments	4,854,690	-	-	4,854,690
<b>Total Investments by Fair Value Level</b>	<b>82,539,075</b>	<b>\$ 71,491,835</b>	<b>\$ 6,192,550</b>	<b>\$ 4,854,690</b>
Investments Measured at Net Asset Value (NAV):				
Fund of Fund Hedge Funds	7,947,135			
Private Equity Investments	3,352,623			
Total Investments Measured at NAV	11,299,758			
<b>Total Investments</b>	<b>\$ 93,838,833</b>			

Other information for investments measured at NAV or its equivalent follows:

	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fund of Fund Hedge Funds:				
Equity Market Neutral	\$ 7,947,135	\$ -	Quarterly to Semi-annual	95 Days
Private Equity Investments	3,352,623	4,824,925	N/A (1)	N/A (1)
<b>Total Investments Measured at NAV</b>	<b>\$ 11,299,758</b>	<b>\$ 4,824,925</b>		

(1) These funds are in private equity structures, with no ability to be redeemed.

The investments above of \$93,838,833 at fair value, and certificates of deposits totaling \$415,953 equal a total investment holding for the Foundation of \$94,254,786 at June 30, 2020.

*Fair Value Measurement:* Equity securities - Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

*Debt securities:* Investments in fixed income securities are classified as Level 1 as they trade with sufficient frequency and volume to enable the Foundation to obtain pricing information on an ongoing basis. However, a small segment of debt security holdings is in a High Yield Commingled Fund where there are inputs, other than quoted prices included in Level 1, that are observable, either directly or indirectly, and therefore included in Level 2.

*Alternative investments:* Investments in private equity partnerships for which there is no readily determinable fair value is classified as Level 3 as the valuation is based on significant unobservable inputs.

*Private equity and real estate investment trust:* Private equity and real estate investment trust funds for which there are not readily determinable fair values are classified as Level 3 as the valuation is based on significant unobservable inputs. Private equity and real estate investment trusts are partnerships formed for the purpose of acquiring, holding, managing and selling income producing real estate and real estate related assets, including interests in joint venture development projects for current income or investment and capital appreciation over a 3 to 5 year holding period.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

*Custodial Credit Risk:* Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. It is the Foundation's policy to require that all securities be held by the Foundation's agent in the Foundation's name. The Foundation's investments as of June 30, 2020, excluding mutual funds and alternative investments, are uninsured and registered with securities held by the Foundation's agent in the Foundation's name. Mutual funds and alternative investments do not have specific securities, are uninsured and are held in the book entry form.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy requires diversification of investments sufficient to reduce the potential of a single security, single sector of securities, or single investment manager having a disproportionate or significant impact on the portfolio. Guidelines for individual sectors of the portfolio further indicate percentage limitations. Disclosure of any issuer of investments that in the aggregate is 5 percent or more of the portfolio is required to be disclosed as a concentration of credit risk (investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt). As of June 30, 2020, there were no concentrations of credit risk.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the credit quality ratings of the Foundation's debt securities were as follows:



<u>Standard &amp; Poor's Credit Rating</u>	<u>Amount</u>
AAA	\$ 6,070,372
AA	788,417
A	3,082,487
BBB	3,540,233
BB	2,871,435
B	610,550
Below B	73,646
Unrated	102,034
<b>Total Debt Securities Investments</b>	<b>\$ 17,139,174</b>

Credit Risk for alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The schedule above only reflects the credit risk related to debt securities that are directly held by the Foundation.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its exposure to fair value loss occurring from interest rate risk is through maintaining diversification of its investments and investment maturities so as to minimize the impact of downturns in the market as stated above.

As of June 30, 2020, the Foundation's debt securities of \$17,139,174 had weighted average maturities of 1 – 5 years:

<u>Total Fair Value</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>
\$17,139,174	\$ 5,393,022	\$11,746,152

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect an investment's fair value. It is the Foundation's policy to limit its exposure to foreign currency risk by limiting the asset allocation in international investments in accordance with the established targets in the approved investment policy. As of June 30, 2020, the Foundation did not have any direct investments subject to this risk. As of June 30, 2020, the Foundation's assets were held in U.S. currency; the currency risk on international and global assets is absorbed by the underlying investments managers.

Investments held by West Florida Historic Preservation, Inc. at June 30, 2020, consist of certificates of deposits totaling \$179,288.

#### **4. Receivables**

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2020, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 6,262,388
Student Tuition and Fees	4,003,240
Other	<u>116,212</u>
<b>Gross Accounts Receivable</b>	10,381,840
Less Allowances for Doubtful Accounts	<u>640,652</u>
<b>Total Accounts Receivable</b>	<u>\$ 9,741,188</u>

Allowances for doubtful accounts are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

## 5. Due From State

The \$4,593,853 amount due from State primarily consists of Public Education Capital Outlay and Capital Improvement Fee Trust Fund moneys due from the State to the University for construction of University facilities and for excess amounts remitted to the State.

## 6. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, is shown in the following table:

<b>Description</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 11,589,150	\$ -	\$ -	\$ 11,589,150
Works of Art and Historical Treasures	16,451,302	1,395,755	-	17,847,057
Construction in Progress	1,515,701	3,001,257	664,127	3,852,831
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 29,556,153</b>	<b>\$ 4,397,012</b>	<b>\$ 664,127</b>	<b>\$ 33,289,038</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 217,234,061	\$ 4,110,484	\$ -	\$ 221,344,545
Infrastructure and Other Improvements	38,653,368	219,390	-	38,872,758
Furniture and Equipment	40,891,678	2,590,631	1,727,612	41,754,697
Library Resources	27,239,819	1,710	-	27,241,529
Leasehold Improvements	1,355,014	632,416	-	1,987,430
Computer Software	1,886,444	-	1,202,644	683,800
<b>Total Depreciable Capital Assets</b>	<b>327,260,384</b>	<b>7,554,631</b>	<b>2,930,256</b>	<b>331,884,759</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	96,904,477	5,166,103	-	102,070,580
Infrastructure and Other Improvements	22,971,459	1,392,770	-	24,364,229
Furniture and Equipment	28,688,740	3,115,560	1,566,579	30,237,721
Library Resources	27,239,819	1,710	-	27,241,529
Leasehold Improvements	102,590	180,801	-	283,391
Computer Software	1,884,555	-	1,202,644	681,911
<b>Total Accumulated Depreciation</b>	<b>177,791,640</b>	<b>9,856,944</b>	<b>2,769,223</b>	<b>184,879,361</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 149,468,744</b>	<b>\$ (2,302,313)</b>	<b>\$ 161,033</b>	<b>\$ 147,005,398</b>

## 7. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2020, include revenue received in advance, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2020, is shown in the following table:

<b>Description</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Revenue Received in Advance	\$ 10,874,414	\$ 316,099	\$ 1,068,240	\$ 10,122,273	\$ 162,027
Compensated Absences Payable	15,795,055	2,324,753	1,470,237	16,649,571	1,564,731
Other Postemployment					
Benefits Payable	83,357,000	51,649,415	22,277,080	112,729,335	1,457,796
Net Pension Liability	60,492,283	41,763,211	34,935,374	67,320,120	268,985
<b>Total Long-Term Liabilities</b>	<b>\$ 170,518,752</b>	<b>\$ 96,053,478</b>	<b>\$ 59,750,931</b>	<b>\$ 206,821,299</b>	<b>\$ 3,453,539</b>

**Revenue Received in Advance.** Revenue received in advance consists of funds received but not yet earned under a grant from the State Economic Development Initiative and rents received in advance. Total revenue received in advance at June 30, 2020, amounted to \$10,122,273, with \$162,027 expected to be earned during the 2020-21 fiscal year.

**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2020, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$16,649,571. The current portion of the compensated absences liability, \$1,564,731, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

**Other Postemployment Benefits Payable.** The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

#### ***General Information about the OPEB Plan***

*Plan Description.* The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

*Benefits Provided.* The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

### ***Proportionate Share of the Total OPEB Liability***

The University's proportionate share of the total OPEB liability of \$112,729,335 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2019. At June 30, 2019, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.890560227840 percent, which was an increase of 0.104311669069 from its proportionate share measured as of June 30, 2018.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Salary increases	Varies by FRS Class
Discount rate	2.79 percent
Healthcare cost trend rates	
PPO Plan	6.7 percent for 2020, decreasing to an ultimate rate of 5.4 percent for 2071 and later years
HMO Plan	5.2 percent for 2020, increasing to an ultimate rate of 5.4 percent for 2071 and later years
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the July 1, 2019, valuation were based on a review of recent plan experience done concurrently with the July 1, 2019, valuation.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2019.
- The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. Due to the change in benchmark used as well as the market environment changes between June 30, 2018, and June 30, 2019, the discount rate decreased from 3.87 percent to 2.79 percent, resulting in higher liabilities to be reported for the reporting period ending June 30, 2020.
- In addition, the liability was increased by approximately 12 percent due to the full impact of the Excise Tax that will come into effect in 2022. There is a reasonable chance that this tax will be repealed before it actually takes effect.

- The assumed claims and premiums reflect the actual claims information as well as the premiums that are actually being charged to participants. These updates resulted in lower liabilities as of June 30, 2019.
- The medical trend assumption is updated each year based on the Getzen Model. The medical trend rates used are consistent with the August 2019 Report on the Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgment. The impact of the trend rate changes is a decrease in the liability, due primarily to lower trend rates in the first several years.
- The mortality rates were updated to those required by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the FRS. The rates are those outlined in Milliman’s July 1, 2018 FRS valuation report. The impact of this change was very small and does not materially impact the results.

*Sensitivity of the University’s Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate.* The following table presents the University’s proportionate share of the total OPEB liability, as well as what the University’s proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.79 percent) or 1 percentage point higher (3.79 percent) than the current rate:

	<u>1% Decrease (1.79%)</u>	<u>Current Discount Rate (2.79%)</u>	<u>1% Increase (3.79%)</u>
University’s proportionate share of the total OPEB liability	\$140,071,060	\$112,729,335	\$91,802,612

*Sensitivity of the University’s Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following table presents the University’s proportionate share of the total OPEB liability, as well as what the University’s proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University’s proportionate share of the total OPEB liability	\$89,482,645	\$112,729,335	\$144,640,417

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.***

For the fiscal year ended June 30, 2020, the University recognized OPEB expense of \$8,171,508. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 2,902,290
Change of assumptions or other inputs	14,134,151	15,941,224
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	12,558,310	-
Transactions subsequent to the measurement date	1,492,932	-
<b>Total</b>	<b>\$ 28,185,393</b>	<b>\$ 18,843,514</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$1,492,932 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 494,372
2022	494,372
2023	494,372
2024	494,372
2025	494,372
Thereafter	5,377,087
<b>Total</b>	<b>\$ 7,848,947</b>

**Net Pension Liability.** As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2020, the University's proportionate share of the net pension liabilities totaled \$67,320,120. Note 8. includes a complete discussion of defined benefit pension plans.

## **8. Retirement Plans – Defined Benefit Pension Plans**

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

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

(HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The University's FRS and HIS pension expense totaled \$15,399,196 for the fiscal year ended June 30, 2020.

### **FRS Pension Plan**

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

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

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

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



include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
FRS, Special Risk	3.00	25.48
Teachers Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled \$4,769,804 for the fiscal year ended June 30, 2020.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2020, the University reported a liability of \$51,466,816 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.149445112 percent, which was a decrease of 0.001786328 from its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$13,824,991. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,052,644	\$ 31,940
Change of assumptions	13,218,893	-
Net difference between projected and actual earnings on FRS Plan investments	-	2,847,413
Changes in proportion and differences between University contributions and proportionate share of contributions	1,795,221	303,654
University FRS contributions subsequent to the measurement date	4,769,804	-
<b>Total</b>	<b>\$ 22,836,562</b>	<b>\$ 3,183,007</b>

The deferred outflows of resources totaling \$4,769,804, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the

fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 5,654,622
2022	1,860,764
2023	3,745,819
2024	2,782,210
2025	691,612
Thereafter	148,724
<b>Total</b>	<b>\$ 14,883,751</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.90 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
<b>Total</b>	<b>100%</b>			
Assumed inflation - Mean			2.6%	1.7%

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

*Discount Rate.* The discount rate used to measure the total pension liability was 6.90 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2019 valuation was updated from 7.00 percent to 6.90 percent.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
University's proportionate share of the net pension liability	\$88,968,987	\$51,466,816	\$20,146,160

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

*Payables to the Pension Plan.* At June 30, 2020, the University reported a payable of \$427,620 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2020.

### **HIS Pension Plan**

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

*Benefits Provided.* For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and

are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$800,844 for the fiscal year ended June 30, 2020.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2020, the University reported a liability of \$15,853,304 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.141686519 percent, which was an increase of 0.000525988 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the University recognized pension expense of \$1,574,205. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 192,556	\$ 19,412
Change of assumptions	1,835,663	1,295,720
Net difference between projected and actual earnings on HIS Plan investments	10,230	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	994,298	57,854
University HIS contributions subsequent to the measurement date	800,844	-
<b>Total</b>	<u>\$ 3,833,591</u>	<u>\$ 1,372,986</u>

The deferred outflows of resources totaling \$800,844, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 666,558
2022	555,771
2023	329,448
2024	(56,482)
2025	38,605
Thereafter	<u>125,861</u>
<b>Total</b>	<b><u>\$ 1,659,761</u></b>

*Actuarial Assumptions.* The total pension liability at July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.50 percent

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 3.50 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2019 valuation was updated from 3.87 percent to 3.50 percent.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.50 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
University's proportionate share of the net pension liability	\$18,097,359	\$15,853,304	\$13,984,260

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

*Payables to the Pension Plan.* At June 30, 2020, the University reported a payable of \$75,306 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2020.

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2019-20 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage

is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University’s Investment Plan pension expense totaled \$1,125,846 for the fiscal year ended June 30, 2020.

**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 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant’s salary to the participant’s account, 3.56 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.71 percent, and employees contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University’s contributions to the Program totaled \$3,878,716, and employee contributions totaled \$2,253,417 for the 2019-20 fiscal year.

**10. Construction Commitments**

The University’s construction commitments at June 30, 2020, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Other Projects (1)	\$ 4,549,204	\$ 3,852,831	\$ 696,373

(1) Individual projects with a current balance committed of less than \$1 million at June 30, 2020.

**11. Risk Management Programs**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers’ compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2019-20 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$68.5 million for named



windstorm and flood through February 14, 2020, and decreased to \$62.75 million starting February 15, 2020. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

## **12. 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.

## **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 an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 67,326,859
Research	17,600,068
Public Services	37,782,981
Academic Support	33,472,080
Student Services	13,014,867
Institutional Support	30,025,841
Operation and Maintenance of Plant	14,226,332
Scholarships, Fellowships, and Waivers	23,720,569
Depreciation	9,856,944
Auxiliary Enterprises	21,831,297
Loan Operations	18,827
<b>Total Operating Expenses</b>	<b><u><u>\$ 268,876,665</u></u></b>

#### 14. Discretely Presented Component Units

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

#### Condensed Statement of Net Position

	<u>Direct-Support Organizations</u>			<u>Total</u>
	<u>University of West Florida Foundation, Inc. 6-30-20</u>	<u>West Florida Historic Preservation, Inc. 6-30-20</u>	<u>UWF Business Enterprises, Inc. 6-30-20</u>	
<b>Assets:</b>				
Current Assets	\$ 8,546,610	\$ 1,699,671	\$ 795,182	\$ 11,041,463
Capital Assets, Net	48,866,218	4,748,902	3,903,332	57,518,452
Other Noncurrent Assets	106,202,781	834	-	106,203,615
<b>Total Assets</b>	<b><u>163,615,609</u></b>	<b><u>6,449,407</u></b>	<b><u>4,698,514</u></b>	<b><u>174,763,530</u></b>
<b>Liabilities:</b>				
Current Liabilities	3,343,303	94,479	776,315	4,214,097
Noncurrent Liabilities	40,652,127	-	8,460,285	49,112,412
<b>Total Liabilities</b>	<b><u>43,995,430</u></b>	<b><u>94,479</u></b>	<b><u>9,236,600</u></b>	<b><u>53,326,509</u></b>
<b>Deferred Inflows of Resources</b>	<b><u>1,409,663</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,409,663</u></b>
<b>Net Position:</b>				
Net Investment in Capital Assets	7,888,538	4,748,902	3,903,332	16,540,772
Restricted Nonexpendable	63,513,251	-	-	63,513,251
Restricted Expendable	43,589,586	201,288	-	43,790,874
Unrestricted	3,219,141	1,404,738	(8,441,418)	(3,817,539)
<b>Total Net Position</b>	<b><u><u>\$ 118,210,516</u></u></b>	<b><u><u>\$ 6,354,928</u></u></b>	<b><u><u>\$ (4,538,086)</u></u></b>	<b><u><u>\$ 120,027,358</u></u></b>

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

	Direct-Support Organizations			Total
	University of West Florida Foundation, Inc. 6-30-20	West Florida Historic Preservation, Inc. 6-30-20	UWF Business Enterprises, Inc. 6-30-20	
Operating Revenues	\$ 13,925,536	\$ 874,892	\$ 1,639,909	\$ 16,440,337
Depreciation Expense	(3,174,182)	(412,580)	(134,989)	(3,721,751)
Operating Expenses	(7,574,704)	(786,428)	(728,813)	(9,089,945)
<b>Operating Income (Loss)</b>	<b>3,176,650</b>	<b>(324,116)</b>	<b>776,107</b>	<b>3,628,641</b>
Net Nonoperating Revenues (Expenses):				
Nonoperating Revenues	1,088,029	(4,617)	-	1,083,412
Interest Expense	(1,549,899)	-	-	(1,549,899)
Other Nonoperating Expenses	(4,608,758)	-	(1,050,368)	(5,659,126)
<b>Net Nonoperating Expenses</b>	<b>(5,070,628)</b>	<b>(4,617)</b>	<b>(1,050,368)</b>	<b>(6,125,613)</b>
Other Revenues	2,845,472	-	-	2,845,472
<b>Increase (Decrease) in Net Position</b>	<b>951,494</b>	<b>(328,733)</b>	<b>(274,261)</b>	<b>348,500</b>
Net Position, Beginning of Year	117,259,022	6,683,661	(4,263,825)	119,678,858
<b>Net Position, End of Year</b>	<b>\$ 118,210,516</b>	<b>\$ 6,354,928</b>	<b>\$ (4,538,086)</b>	<b>\$ 120,027,358</b>

### 15. Subsequent Events

On September 16, 2020, the Pensacola area was impacted by Hurricane Sally. The University sustained damages to landscape, buildings, and other property estimated at approximately \$3.4 million. It is expected that the University will receive reimbursements from the State Risk Management Trust Fund and the Federal Emergency Management Agency; however, that estimated amount is not determinable at this time.

### 16. COVID-19 Uncertainties

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. At that time, the University closed its dormitories and moved to an online learning platform for the remainder of the academic year but returned in the Fall 2020 semester with a mixture of in-person and online courses. The dormitory closure resulted in a decision to refund a pro-rated amount of housing fees and meal plans to students no longer living on campus. During the 2019-20 fiscal year, the University of West Florida Foundation, Inc., the direct-support organization (DSO) that manages housing for the University, refunded \$1,491,625 in housing related charges, and UWF Business Enterprises, Inc., the DSO that manages the Dining Services for the University, refunded \$548,253 in meal plan charges. The funding source of these refunds was Federal stimulus moneys received by the University as CARES Institutional Aid. As discussed in the MD&A, these funds increased grants and contracts revenue for the fiscal year.

The University's total CARES Institutional Aid award is \$3,400,694, of which \$2,039,878 was drawn during the 2019-20 fiscal year. Of this amount \$1,791,425 was expended as scholarship grants. An amount of \$248,453 was reclassified to revenue received in advance in the 2019-20 fiscal year, as per the CARES guidance the Institutional Aid earned cannot exceed the amount earned under the CARES Student Aid.

The University also received the CARES Student Aid award of \$3,400,694 of which \$1,791,425 was drawn and awarded as scholarship grant expenses to more than 1,500 students by the 2019-20 fiscal year end.

The University and the DSOs are continually monitoring the potential impacts of the COVID-19 pandemic and its effects on University and DSO operations. The extent to which the COVID-19 pandemic impacts the operations going forward will depend on numerous evolving factors, which cannot be reliably predicted at this time.

## ***OTHER REQUIRED SUPPLEMENTARY INFORMATION***

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### **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
University's proportion of the total other postemployment benefits liability	0.89%	0.79%	0.79%	0.77%
University's proportionate share of the total other postemployment benefits liability	\$ 112,729,335	\$ 83,357,000	\$ 85,002,000	\$ 91,051,000
University's covered-employee payroll	\$ 91,294,267	\$ 94,792,234	\$ 84,509,945	\$ 80,338,474
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	123.48%	87.94%	100.58%	113.33%

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
University's proportion of the FRS net pension liability	0.149445112%	0.151231440%	0.145922896%	0.143843124%
University's proportionate share of the FRS net pension liability	\$ 51,466,816	\$ 45,551,694	\$ 43,163,014	\$ 36,320,502
University's covered payroll (2)	\$ 90,132,197	\$ 87,347,832	\$ 84,767,273	\$ 80,346,498
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	57.10%	52.15%	50.92%	45.20%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

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

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

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required FRS contribution	\$ 4,769,804	\$ 4,633,877	\$ 4,309,975	\$ 3,798,732
FRS contributions in relation to the contractually required contribution	<u>(4,769,804)</u>	<u>(4,633,877)</u>	<u>(4,309,975)</u>	<u>(3,798,732)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 92,298,070	\$ 90,132,197	\$ 87,347,832	\$ 84,767,273
FRS contributions as a percentage of covered payroll	5.17%	5.14%	4.93%	4.48%

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

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

<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.136590124%	0.123943291%	0.101621006%
\$ 17,642,446	\$ 7,562,363	\$ 17,493,498
\$ 72,474,365	\$ 65,432,933	\$ 80,062,817
24.34%	11.56%	21.85%
92.00%	96.09%	88.54%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 3,507,844	\$ 3,330,183	\$ 2,714,884
<u>(3,507,844)</u>	<u>(3,330,183)</u>	<u>(2,714,884)</u>
\$ -	\$ -	\$ -
\$ 80,346,498	\$ 72,474,365	\$ 65,432,933
4.37%	4.59%	4.15%

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
University's proportion of the HIS net pension liability	0.141686519%	0.141160531%	0.140025649%	0.141032901%
University's proportionate share of the HIS net pension liability	\$ 15,853,304	\$ 14,940,590	\$ 14,972,187	\$ 16,436,799
University's covered payroll (2)	\$ 46,974,798	\$ 45,786,177	\$ 44,164,277	\$ 43,134,639
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.75%	32.63%	33.90%	38.11%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.63%	2.15%	1.64%	0.97%

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

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

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required HIS contribution	\$ 800,844	\$ 786,771	\$ 765,517	\$ 741,056
HIS contributions in relation to the contractually required HIS contribution	<u>(800,844)</u>	<u>(786,771)</u>	<u>(765,517)</u>	<u>(741,056)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 47,765,677	\$ 46,974,798	\$ 45,786,177	\$ 44,164,277
HIS contributions as a percentage of covered payroll	1.68%	1.67%	1.67%	1.68%

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

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



<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.128838678%	0.118618004%	0.113527947%
\$ 13,139,518	\$ 11,091,073	\$ 9,884,100
\$ 38,823,836	\$ 34,892,579	\$ 32,980,756
33.84%	31.79%	29.97%
0.50%	0.99%	1.78%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 722,884	\$ 492,502	\$ 406,345
<u>(722,884)</u>	<u>(492,502)</u>	<u>(406,345)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 43,134,639	\$ 38,823,836	\$ 34,892,579
1.68%	1.27%	1.16%

**1. Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

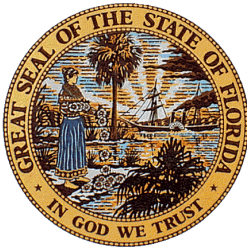
*Changes of Assumptions.* The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. Due to the change in the benchmark used as well as the market environment changes between June 30, 2018, and June 30, 2019, the discount rate decreased from 3.87 percent to 2.79 percent, resulting in higher liabilities to be reported for the reporting period ended June 30, 2020. Refer to Note 7. to the financial statements for further detail.

**2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan**

*Changes of Assumptions.* The long-term expected rate of return was decreased from 7.00 percent to 6.90 percent, and the active member mortality assumption was updated.

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

*Changes of Assumptions.* The municipal rate used to determine total pension liability decreased from 3.87 percent to 3.50 percent.



Sherrill F. Norman, CPA  
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of West 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, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 19, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 19, 2021