STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-170
March 2019

UNIVERSITY OF WEST FLORIDA

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

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 Joan E. Valle, 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 or by telephone at (850) 412-2868.

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UNIVERSITY OF WEST FLORIDA

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SUMMARY

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, 2018. 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.

AUDITOR GENERAL
STATE OF FLORIDA

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

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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

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 20, 2019, 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

Sherrill F. Norman, CPA
Tallahassee, Florida
March 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2018, 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, 2018, and June 30, 2017.

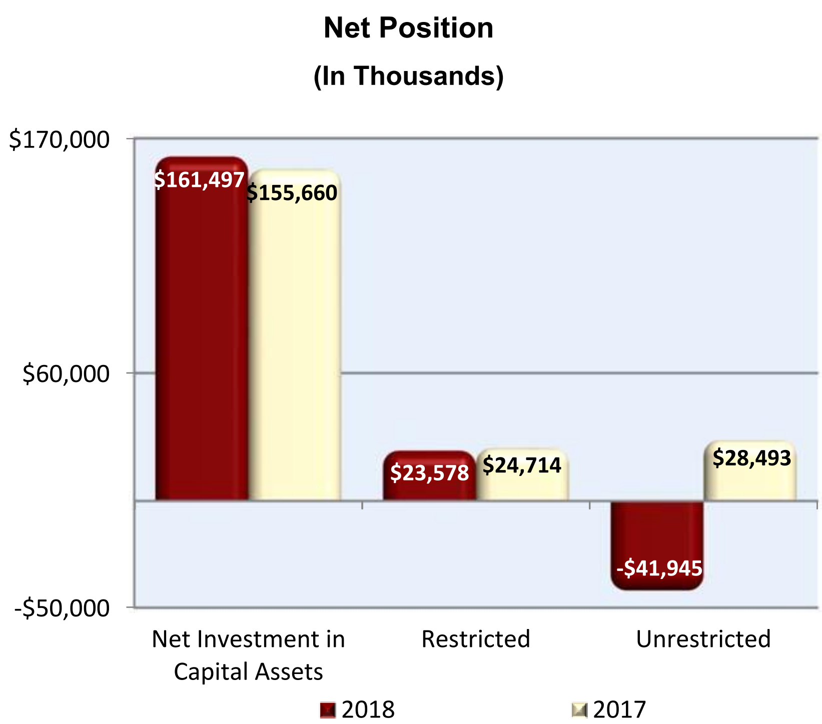
FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled $342.1 million at June 30, 2018. This balance reflects a $5.3 million, or 1.6 percent, increase as compared to the 2016-17 fiscal year, resulting primarily from a $3 million increase in deferred outflows of pension resources recognized in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions,* and a $3.2 million increase in deferred outflows associated with other postemployment benefits (OPEB) recognized in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

The University's liabilities and deferred inflows of resources increased by $71 million, or 55.5 percent, totaling $198.9 million at June 30, 2018, compared to $127.9 million at June 30, 2017. This increase is primarily attributable to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as discussed in Notes 2. and 3. to the financial statements. As part of this implementation, the University recorded deferred inflows related to OPEB of $12.1 million and deferred outflows related to OPEB of $3.2 million as well as an adjustment to reduce beginning net position by $64.1 million.

The University's operating revenues totaled $87.4 million for the 2017-18 fiscal year, representing a 2.5 percent increase compared to the 2016-17 fiscal year due mainly to an increase in revenue from grants and contracts. Operating expenses totaled $263.2 million for the 2017-18 fiscal year, representing an increase of $24.8 million, or 10.4 percent, as compared to the 2016-17 fiscal year. This increase is attributable to a $10.3 million increase in compensation and employee benefits, resulting from across the board permanent raises and multiple one-time bonuses, as well as an $11.4 million increase in services and supplies resulting from increased spending on contractual services and from write-offs associated with the cessation of the University's participation in the Federal Perkins Loan program.

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 net position decreased by $65.7 million, resulting in a fiscal year-end balance of $143.1 million. The University's comparative total net position by category for the fiscal years ended June 30, 2018, and June 30, 2017, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2017-18 fiscal year:

OVERVIEW OF FINANCIAL STATEMENTS

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

- University of 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. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports. The University of West Florida Foundation, Inc. reports under Financial Accounting Board Standards and, as such, does not include an MD&A in its audit report.

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)

	2018	2017
Assets		
Current Assets	$ 144,445	$ 146,795
Capital Assets, Net	161,497	155,660
Other Noncurrent Assets	2,309	6,695
Total Assets	308,251	309,150
Deferred Outflows of Resources	33,827	27,626
Liabilities		
Current Liabilities	18,204	17,828
Noncurrent Liabilities	165,952	109,706
Total Liabilities	184,156	127,534
Deferred Inflows of Resources	14,792	375
Net Position		
Net Investment in Capital Assets	161,497	155,660
Restricted	23,578	24,714
Unrestricted	(41,945)	28,493
Total Net Position	$ 143,130	$ 208,867

Deferred outflows of resources, noncurrent liabilities, and deferred inflows of resources increased by $6.2 million, $56.2 million and $14.4 million, respectively, primarily in connection with accounting for pensions under GASB Statement No. 68 and the implementation of GASB Statement No. 75, which also required a reduction in beginning unrestricted net position of $64.1 million. As a result of these changes, the unrestricted net position of the University at June 30, 2018, showed a deficit of $41.9 million, and total net position decreased by $65.7 million from the prior fiscal year.

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

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

The following summarizes the University's activity for the 2017-18 and 2016-17 fiscal years:

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

(In Thousands)

	2017-18	2016-17
Operating Revenues	$ 87,438	$ 85,327
Less, Operating Expenses	263,187	238,381
Operating Loss	(175,749)	(153,054)
Net Nonoperating Revenues	165,886	135,746
Loss Before Other Revenues	(9,863)	(17,308)
Other Revenues	8,263	16,777
Decrease In Net Position	(1,600)	(531)
Net Position, Beginning of Year	208,867	209,398
Adjustment to Beginning Net Position (1)	(64,137)	-
Net Position, Beginning of Year, as Restated	144,730	209,398
Net Position, End of Year	$ 143,130	$ 208,867

(1) As discussed in Notes 2. and 3. to the financial statements, the University's beginning net position for the 2017-18 fiscal year was decreased in conjunction with the implementation of GASB Statement No. 75.

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 2017-18 and 2016-17 fiscal years:

Operating Revenues
For the Fiscal Years

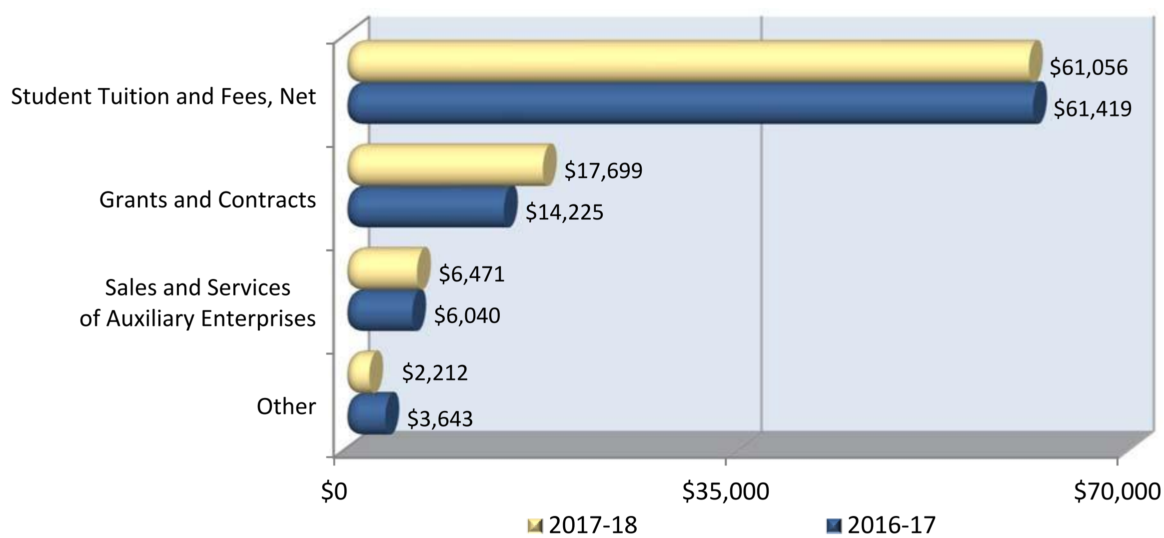
(In Thousands)

	2017-18	2016-17
Student Tuition and Fees, Net	$ 61,056	$ 61,419
Grants and Contracts	17,699	14,225
Sales and Services of Auxiliary Enterprises	6,471	6,040
Other	2,212	3,643
Total Operating Revenues	$ 87,438	$ 85,327

The following chart presents the University's operating revenues for the 2017-18 and 2016-17 fiscal years:

Operating Revenues

(In Thousands)



Total operating revenues for the 2017-18 fiscal year were $87.4 million, of which $61.1 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 $25.6 million, and are deducted from gross student tuition and fees of $86.7 million to arrive at net student tuition and fees. Net student tuition and fees was $61.1 million for the 2017-18 fiscal year, which represents a small decrease from the 2016-17 fiscal year. The increase in grants and contracts revenue is attributable to increased activity under the State Economic Development Initiative (SEDI) grant.

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 2017-18 and 2016-17 fiscal years:

Operating Expenses
For the Fiscal Years

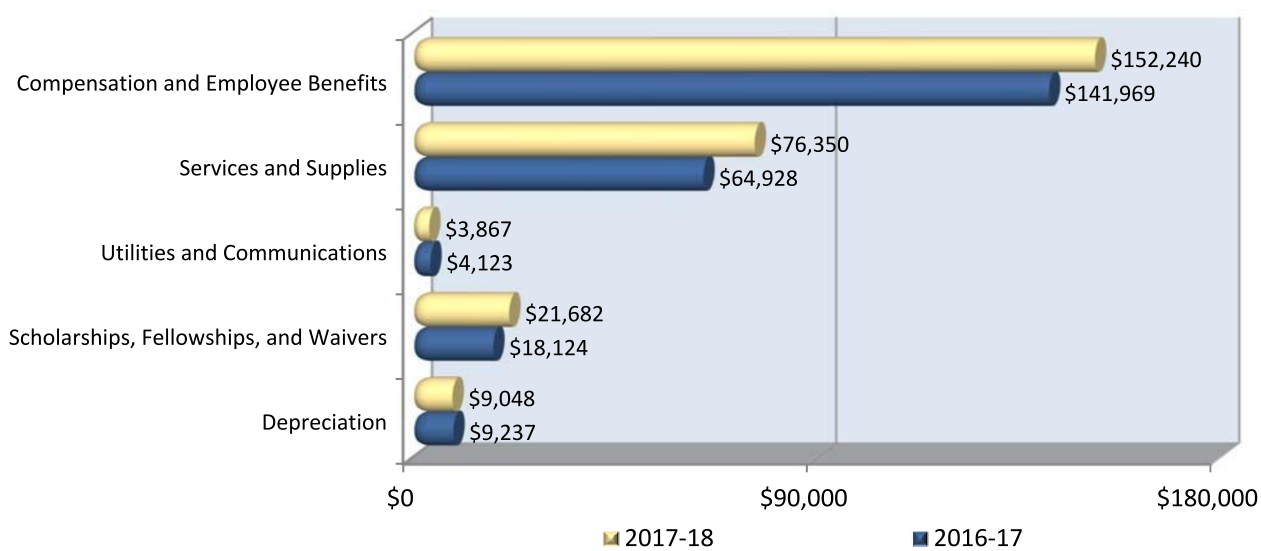
(In Thousands)

	2017-18	**2016-17**
Compensation and Employee Benefits	$ 152,240	$ 141,969
Services and Supplies	76,350	64,928
Utilities and Communications	3,867	4,123
Scholarships, Fellowships, and Waivers	21,682	18,124
Depreciation	9,048	9,237
Total Operating Expenses	$ 263,187	$ 238,381

The following chart presents the University's operating expenses for the 2017-18 and 2016-17 fiscal years:

Operating Expenses

(In Thousands)



Compensation and employee benefits increased by $10.3 million due in part to a 1.3 percent across the board increase in March 2017, bonus payments for faculty and staff in August 2017 and June 2018, a faculty bonus in December 2017, and an across the board 2 percent increase in March 2018. In addition, pension expense for the 2017-18 fiscal year increased by $1.5 million over the prior fiscal year. Services and supplies increased by $11.4 million due primarily to an increase in contractual services resulting from increased disbursement of funds under the SEDI grant and strategic investment in consulting services to assist the University in achieving greater success on performance metrics, while write-offs increased due to the University's decision to withdraw from the Federal Perkins Loan program. Scholarships, fellowships, and waivers increased due to increases in the State Bright Futures program and the University's Florida Student Assistance Grant allocation, the extension of the Federal Pell grant program to cover summer term, and a strategic increase in institutional aid provided to students.

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 loss on disposal of capital assets and other nonoperating expenses. The following summarizes the University's nonoperating revenues and expenses for the 2017-18 and 2016-17 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Noncapital Appropriations	$ 129,126	$ 110,609
Federal and State Student Financial Aid	26,399	21,213
Noncapital Grants, Contracts, and Gifts	8,390	3,565
Investment Income	1,927	403
Other Nonoperating Revenues	158	92
Loss on Disposal of Capital Assets	(71)	(58)
Other Nonoperating Expenses	(43)	(78)
Net Nonoperating Revenues	$ 165,886	$ 135,746

State noncapital appropriations increased by $18.5 million as the University received approximately $21 million in State investment dollars due to its ranking as one of the top three performers on performance metrics established by the Florida Board of Governors for the Florida State University System. Federal and State student financial aid increased as the State Bright Futures program increased the amount of scholarship per credit hour and the University's Florida Student Assistance Grant allocation was increased. In addition, both Bright Futures and the Federal Pell grant program extended aid to cover the summer term. Noncapital Grants, Contracts, and Gifts increased as Parking and Transportation Services and associated cash balances were transferred back to the University from one of its direct-support organizations.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2017-18 and 2016-17 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Capital Appropriations	$ 6,941	$ 13,382
Capital Grants, Contracts, Donations, and Fees	1,322	3,395
Total	$ 8,263	$ 16,777

The $6.4 million reduction in State capital appropriations resulted from a decrease in State funding for construction projects.

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital and related financing activities include all plant funds 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 2017-18 and 2016-17 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
Cash Provided (Used) by:		
Operating Activities	$ (165,242)	$ (136,485)
Noncapital Financing Activities	161,536	134,179
Capital and Related Financing Activities	(6,817)	(3,108)
Investing Activities	8,871	4,327
Net Decrease in Cash and Cash Equivalents	(1,652)	(1,087)
Cash and Cash Equivalents, Beginning of Year	8,236	9,323
Cash and Cash Equivalents, End of Year	$ 6,584	$ 8,236

Major sources of funds came from State noncapital appropriations ($129.1 million), proceeds from sale and maturities of investments ($143.5 million), net student tuition and fees ($61.2 million), Federal Direct Student Loan receipts ($49.4 million), Federal and State student financial aid ($26.4 million), grants and contracts ($9 million), noncapital grants, contracts, and gifts ($8.4 million), sales and services of auxiliary enterprises ($6.5 million), and State capital appropriations ($5.3 million). Major uses of funds were for payments made to and on behalf of employees totaling $142.9 million, purchases of investments totaling $136.6 million, payments to suppliers totaling $79.6 million, disbursements to students for Federal Direct

Student Loans totaling $49.4 million, payments to and on behalf of students for scholarships totaling $21.7 million, and purchases of capital assets totaling $12.1 million.

The $28.8 million increase in cash used by operating activities is primarily the result of changes in payments to employees or for employee benefits. The $27.4 million increase in cash provided by noncapital financing activities results from an increase in State appropriations due to the University's ranking as one of the top three performers on performance metrics established by the Florida Board of Governors for the Florida State University System and from an increase in Federal and State student financial aid resulting from an increase in scholarship amounts paid by the State's Bright Futures program and the extension of benefits by both Bright Futures and the Federal Pell grant program to the summer term. The transfer of cash associated with Parking and Transportation Services from UWF Business Enterprises, Inc. to the University also contributed to this increase.

CAPITAL ASSETS AND CAPITAL EXPENSES AND COMMITMENTS

Capital Assets

At June 30, 2018, the University had $332.2 million in capital assets, less accumulated depreciation of $170.7 million, for net capital assets of $161.5 million. Depreciation charges for the current fiscal year totaled $9 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2018	**2017**
Land	$ 11,589	$ 10,844
Works of Art and Historical Treasures	13,612	13,110
Construction in Progress	6,370	4,246
Buildings	101,185	98,516
Infrastructure and Other Improvements	16,822	17,352
Furniture and Equipment	11,760	10,982
Library Resources	159	610
Capital Assets, Net	$ 161,497	$ 155,660

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, 2018, were incurred for the construction of the Lab Science Annex. The University's construction commitments at June 30, 2018, are as follows:

	Amount (In Thousands)
Total Committed	$ 31,697
Completed to Date	6,369
Balance Committed	$ 25,328

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

Economic Factors That Will Affect the Future

The University's economic condition is closely tied to that of the State of Florida. Due to lingering concerns over the cost of higher education in the State of Florida, the Legislature provided for no increase in student tuition or tuition differential fees for the University for the 2018-19 fiscal year. University management is aggressively pursuing a continuous performance improvement plan, and as a result, the University was in a three-way tie for third place on performance metrics for the 2018-19 fiscal year. Although the tie and associated funding were not resolved in the University's favor, the University did receive a portion of the performance funding State investment allocation as a component of its State noncapital appropriation.

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 Colleen M. Asmus, Associate Vice President for Finance/Controller, University of West Florida, 11000 University Parkway, Pensacola, Florida 32514.

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

June 30, 2018

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,560,290	$ 3,603,567
Investments	108,760,571	178,852
Accounts Receivable, Net	7,431,780	7,571,380
Loans and Notes Receivable, Net	15,426	64,538
Due from State	23,666,070	-
Due from University	-	382,975
Inventories	-	116,645
Other Current Assets	11,325	591,850
Total Current Assets	144,445,462	12,509,807
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,023,447	10,193,593
Restricted Investments	-	95,057,820
Loans and Notes Receivable, Net	276,179	-
Depreciable Capital Assets, Net	129,926,356	58,080,069
Nondepreciable Capital Assets	31,570,628	6,013,250
Other Noncurrent Assets	9,000	834
Total Noncurrent Assets	163,805,610	169,345,566
Total Assets	308,251,072	181,855,373
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	3,199,201	-
Pensions	30,627,543	-
Total Deferred Outflows of Resources	33,826,744	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,583,423	467,391
Construction Contracts Payable	1,798,968	-
Salary and Wages Payable	5,248,790	-
Deposits Payable	260,335	-
Due to Component Units	382,975	-
Unearned Revenue	796,622	558,390
Other Current Liabilities	2,305	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	2,578,196
Revenue Received in Advance	1,751,126	-
Compensated Absences Payable	1,482,317	-
Other Postemployment Benefits Payable	1,494,000	-
Net Pension Liability	402,811	-
Total Current Liabilities	18,203,672	3,603,977

UNIVERSITY OF WEST FLORIDA
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2018

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	43,742,395
Revenue Received in Advance	10,488,695	6,650,555
Compensated Absences Payable	13,925,580	318,618
Other Postemployment Benefits Payable	83,508,000	-
Net Pension Liability	57,732,390	-
Other Noncurrent Liabilities	297,692	1,604,792
Total Noncurrent Liabilities	165,952,357	52,316,360
Total Liabilities	184,156,029	55,920,337
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	12,071,722	-
Pensions	2,720,027	-
Total Deferred Inflows of Resources	14,791,749	-
NET POSITION		
Net Investment in Capital Assets	161,496,984	16,379,658
Restricted for Nonexpendable:		
Endowment	-	63,374,934
Restricted for Expendable:		
Loans	745,448	-
Capital Projects	22,897,789	-
Other	(65,453)	45,629,435
Unrestricted	(41,944,730)	551,009
TOTAL NET POSITION	$ 143,130,038	$ 125,935,036

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 Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $25,663,232	$ 61,056,069	$ -
Federal Grants and Contracts	8,941,834	-
State and Local Grants and Contracts	8,750,523	-
Nongovernmental Grants and Contracts	7,031	-
Sales and Services of Auxiliary Enterprises	6,471,173	-
Sales and Services of Component Units	-	1,232,149
Gifts and Donations	-	11,541,887
Interest on Loans and Notes Receivable	(4,763)	-
Other Operating Revenues	2,216,442	9,594,427
Total Operating Revenues	87,438,309	22,368,463
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	152,240,170	2,747,244
Services and Supplies	76,349,943	6,704,879
Utilities and Communications	3,867,128	1,150,317
Scholarships, Fellowships, and Waivers	21,682,341	10,447
Depreciation	9,047,832	3,398,018
Total Operating Expenses	263,187,414	14,010,905
Operating Income (Loss)	(175,749,105)	8,357,558
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	129,126,491	-
Federal and State Student Financial Aid	26,399,426	-
Noncapital Grants, Contracts, and Gifts	8,390,232	-
Investment Income	1,926,720	8,402,685
Other Nonoperating Revenues	157,514	148,675
Loss on Disposal of Capital Assets	(70,910)	(1,079,455)
Interest on Capital Asset-Related Debt	-	(1,745,791)
Other Nonoperating Expenses	(42,919)	(8,321,213)
Net Nonoperating Revenues (Expenses)	165,886,554	(2,595,099)
Income (Loss) Before Other Revenues	(9,862,551)	5,762,459
State Capital Appropriations	6,940,568	-
Capital Grants, Contracts, Donations, and Fees	1,321,914	-
Additions to Permanent Endowments	-	1,408,116
Increase (Decrease) in Net Position	(1,600,069)	7,170,575
Net Position, Beginning of Year	208,866,620	118,764,461
Adjustment to Beginning Net Position	(64,136,513)	-
Net Position, Beginning of Year, as Restated	144,730,107	118,764,461
Net Position, End of Year	$ 143,130,038	$ 125,935,036

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 Cash Flows

For the Fiscal Year Ended June 30, 2018

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 61,216,145
Grants and Contracts	9,016,736
Sales and Services of Auxiliary Enterprises	6,473,137
Interest on Loans and Notes Receivable	22,496
Payments to Employees	(142,861,889)
Payments to Suppliers for Goods and Services	(79,646,804)
Payments to Students for Scholarships and Fellowships	(21,682,341)
Collection on Loans to Students	427,441
Other Operating Receipts	1,793,247
Net Cash Used by Operating Activities	(165,241,832)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	129,126,491
Federal and State Student Financial Aid	26,399,426
Noncapital Grants, Contracts, and Gifts	8,390,232
Federal Direct Loan Program Receipts	49,352,091
Federal Direct Loan Program Disbursements	(49,352,091)
Net Change in Funds Held for Others	(2,969,287)
Other Nonoperating Receipts	589,051
Net Cash Provided by Noncapital Financing Activities	161,535,913
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	5,261,127
Proceeds from Sale of Capital Assets	3,527
Purchase or Construction of Capital Assets	(12,081,849)
Net Cash Used by Capital and Related Financing Activities	(6,817,195)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	143,500,000
Purchases of Investments	(136,608,196)
Investment Income	1,979,514
Net Cash Provided by Investing Activities	8,871,318
Net Decrease in Cash and Cash Equivalents	(1,651,796)
Cash and Cash Equivalents, Beginning of Year	8,235,533
Cash and Cash Equivalents, End of Year	$ 6,583,737

UNIVERSITY OF WEST FLORIDA
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (175,749,105)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,047,832
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(165,956)
Other Assets	(20,325)
Accounts Payable	(704,013)
Salaries and Wages Payable	333,344
Deposits Payable	(187,408)
Compensated Absences Payable	137,668
Unearned Revenue	(111,483)
Revenue Received in Advance	(6,729,964)
Other Current Liabilities	310
Other Postemployment Benefits Payable	(6,049,000)
Net Pension Liability	5,377,900
Deferred Outflows of Resources Related to Other Postemployment Benefits	(1,835,714)
Deferred Inflows of Resources Related to Other Postemployment Benefits	12,071,722
Deferred Outflows of Resources Related to Pensions	(3,002,062)
Deferred Inflows of Resources Related to Pensions	2,344,422
NET CASH USED BY OPERATING ACTIVITIES	$ (165,241,832)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction 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.	$ (53,565)
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.	$ (70,910)
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.	$ 1,321,914

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

NOTES TO FINANCIAL STATEMENTS

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, and provide assistance to the research activities of faculty, staff, and students of the University.

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 (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, 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. The University of West Florida Foundation, Inc. follows FASB standards of accounting and financial reporting for not-for-profit organizations. The West Florida Historic Preservation, Inc. and UWF Business Enterprises, Inc. 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, investment income (net of unrealized gains or losses on investments), and 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, cash in demand accounts, and amounts temporarily held by the University's custodial bank awaiting reinvestment. 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

Capital assets of the University of West Florida Foundation, Inc. consist of land, buildings, construction in progress, office equipment and software, furniture and fixtures, and property held under capital lease. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of donations. Depreciation is computed on a straight-line basis over the estimated useful lives of the respective assets. The Foundation capitalizes interest costs on borrowing incurred during the construction of qualifying assets. The capitalized interest is amortized over the life of the borrowing.

Capital assets of West Florida Historic Preservation, Inc. consist of land; buildings and improvements; and furniture, fixtures, and equipment, including historic properties, antiques, and collections. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of donations. Expenditures which equal or exceed $5,000 that materially increase values, change capacities, or extend useful lives are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is computed on a straight-line basis over 5 to 10 years for furniture, fixtures, and equipment and over 10 to 40 years for buildings and improvements. Historic properties, antiques, and collections are not depreciated.

Capital assets of UWF Business Enterprises, Inc. (BEI) consist of land, buildings, and furniture and fixtures. Assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of donations. 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. BEI has a capitalization threshold of $50,000 for buildings, building improvements, infrastructure, infrastructure improvements, and leasehold improvements and a $5,000 capitalization threshold for tangible personal property. Depreciation is calculated on the straight-line basis over 40 years for buildings and 7 years for furniture and fixtures.

Noncurrent Liabilities. Noncurrent liabilities include compensated absences payable, revenues received in advance, other postemployment benefits payable, net pension liability, and other noncurrent 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. Reporting Change

The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

3. Adjustments to Beginning Net Position

The beginning net position of the University was decreased by $64,136,513 due to implementation of GASB Statement No. 75. The University's total OPEB liability reported at June 30, 2017, increased by $65,500,000 to $91,051,000 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and a beginning balance for deferred outflows of resources related to OPEB was established in the amount of $1,363,487.

4. Deficit Net Position in Individual Funds

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

Fund	Net Position
General Revenue Fund	$ (100,729,740)
All Other Current Unrestricted Funds	58,785,010
Total	$ (41,944,730)

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

Description		Amount
Total Unrestricted Net Position Before Recognition of Long-term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources		$ 97,565,373
Amount Expected to be Financed in Future Years:		
Compensated Absences Payable	$ (15,407,897)	
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(93,874,521)	
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(30,227,685)	
Total Amount Expected to be Financed in Future Years		(139,510,103)
Total Unrestricted Net Position		$ (41,944,730)

5. 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, 2018, are valued using quoted market prices (Level 1 inputs), with the exception of bonds and notes and obligations of United States government agencies and instrumentalities which are valued using significant other observable inputs (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

Obligations of the United States Government Agencies and Instrumentalities and Bonds and Notes: These securities are valued daily by a pricing service that uses evaluated pricing applications which incorporate available market information. Available information is also applied through benchmarking processes, sector groupings, and matrix pricing (Level 2 inputs).

The University's investments at June 30, 2018, 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	$ 80,545,225	$ -	$ -	$ 80,545,225
United States Treasury Securities	4,112,137	4,112,137	-	-
Obligations of United States Government				
Agencies and Instrumentalities	2,300,710	-	2,300,710	-
Bonds and Notes	14,187,182	-	14,187,182	-
Mutual Funds				
Equities	6,509,790	6,509,790	-	-
Total Investments by Fair Value Level	107,655,044	$ 10,621,927	$ 16,487,892	$ 80,545,225
Investments at Amortized Cost				
SBA Florida Prime	1,105,527			
Total Investments	$ 108,760,571			

External Investment Pools.

The University reported investments at fair value totaling $80,545,225 at June 30, 2018, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 3 years, and fair value factor of 0.9872 at June 30, 2018. 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, 2018, the University reported investments totaling $1,105,527 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 30 days as of June 30, 2018. 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, the Investment Advisory Council, and the Participant Local Government 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, 2018, 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, 2018, are as follows:

University Debt Investments Maturities

		Investments Maturities (In Years)		
Investments by Fair Value Level	**Fair Value**	**Less Than 1**	**1-5**	**More Than 5**
United States Treasury Securities	$ 4,112,137	$ -	$ 4,112,137	$ -
Obligations of United States Government Agencies and Instrumentalities	2,300,710	-	405,581	1,895,129
Bonds and Notes	14,187,182	1,881,248	10,228,252	2,077,682
Total Investments	$ 20,600,029	$ 1,881,248	$ 14,745,970	$ 3,972,811

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, 2018, 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	AAA	AA	A	Less Than A
United States Treasury Securities	$ 4,112,137	$ 4,112,137	$ -	$ -	$ -
Obligations of United States Government Agencies and Instrumentalities	2,300,710	2,300,710	-	-	-
Bonds and Notes	14,187,182	4,923,680	2,293,100	4,949,103	2,021,299
Total Investments	$ 20,600,029	$ 11,336,527	$ 2,293,100	$ 4,949,103	$ 2,021,299

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.

Investments held by the University of West Florida Foundation, Inc. at June 30, 2018, are reported at fair value as follows:

		Fair Value Measurements Using		
Investments by Fair Value Level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments Measured at Fair Value:				
Equity Securities - Domestic and International	$ 59,183,345	$ 59,183,345	$ -	$ -
Debt Securities	17,456,679	12,173,971	5,282,708	-
Alternative Investments:				
Private Equity Investments	1,231,297	-	-	1,231,297
Real Estate Investment Trust	3,174,114	-	-	3,174,114
Total Alternative Investments	4,405,411	-	-	4,405,411
Funds Held in Trust by Others	3,208,207	3,208,207	-	-
Total Investments by Fair Value Level	84,253,642	$ 74,565,523	$ 5,282,708	$ 4,405,411
Investments Measured at Net Asset Value (NAV):				
Fund of Fund Hedge Funds	8,799,734			
Private Equity Investments	1,417,554			
Total Investments Measured at NAV	10,217,288			
Total Investments	$ 94,470,930			

The investments above of $94,470,930 at fair value, and certificates of deposits totaling $586,890 for the Foundation equal a total investment holding of $95,057,820 at June 30, 2018.

Because the Foundation reports under the FASB reporting model, disclosure of other various investment risks may be found within the Foundation's annual published financial statements and are not reported here.

Investments held by West Florida Historic Preservation, Inc. at June 30, 2018, consist of certificates of deposit totaling $178,852.

6. 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, 2018, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 5,099,266
Student Tuition and Fees	2,846,317
Other	136,699
Gross Accounts Receivable	8,082,282
Less Allowances for Doubtful Accounts	650,502
Total Accounts Receivable	$ 7,431,780

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.

Loans and Notes Receivable. Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs. Loans and notes receivable are reported net of allowances of $8,842.

During the 2017-18 fiscal year, the University began the process of liquidating its Perkins Loan Program portfolio and assigning these loans to the Federal Government. This process is expected to be completed in the 2019-20 fiscal year.

7. Due From State

The amount due from State consists of $23,666,070 of Public Education Capital Outlay allocations due from the State to the University for construction of University facilities.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 10,844,100	$ 745,050	$ -	$ 11,589,150
Works of Art and Historical Treasures	13,109,939	501,859	-	13,611,798
Construction in Progress	4,246,510	5,101,680	2,978,510	6,369,680
Total Nondepreciable Capital Assets	$ 28,200,549	$ 6,348,589	$ 2,978,510	$ 31,570,628
Depreciable Capital Assets:				
Buildings	$ 186,411,605	$ 7,117,938	$ -	$ 193,529,543
Infrastructure and Other Improvements	37,554,917	856,408	-	38,411,325
Furniture and Equipment	37,841,810	3,621,555	2,204,204	39,259,161
Library Resources	28,295,887	-	802,200	27,493,687
Leasehold Improvements	59,403	-	-	59,403
Computer Software	1,921,623	-	29,820	1,891,803
Total Depreciable Capital Assets	292,085,245	11,595,901	3,036,224	300,644,922
Less, Accumulated Depreciation:				
Buildings	87,895,660	4,448,818	-	92,344,478
Infrastructure and Other Improvements	20,203,245	1,385,731	-	21,588,976
Furniture and Equipment	26,859,379	2,762,067	2,122,713	27,498,733
Library Resources	27,686,157	451,216	802,200	27,335,173
Leasehold Improvements	59,403	-	-	59,403
Computer Software	1,921,623	-	29,820	1,891,803
Total Accumulated Depreciation	164,625,467	9,047,832	2,954,733	170,718,566
Total Depreciable Capital Assets, Net	$ 127,459,778	$ 2,548,069	$ 81,491	$ 129,926,356

9. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2018, include revenues received in advance, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenues Received in Advance	$ 18,969,785	$ -	$ 6,729,964	$ 12,239,821	$ 1,751,126
Compensated Absences Payable	15,270,229	1,728,431	1,590,763	15,407,897	1,482,317
Other Postemployment Benefits Payable (1)	91,051,000	7,398,975	13,447,975	85,002,000	1,494,000
Net Pension Liability	52,757,301	35,723,408	30,345,508	58,135,201	402,811
Other Noncurrent Liabilities	519,679	-	221,987	297,692	-
Total Long-Term Liabilities	$ 178,567,994	$ 44,850,814	$ 52,336,197	$ 171,082,611	$ 5,130,254

(1) The beginning balance of the Other Postemployment Benefits Payable was adjusted for adoption of GASB Statement No. 75, as described in Notes 2. and 3.

Revenues Received in Advance. Revenues 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 revenues received in advance at June 30, 2018, amounted to $12,239,821, with $1,751,126 expected to be earned during the 2018-19 fiscal year.

Other Noncurrent Liabilities. This represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal Government once the University has completed the liquidation of its Perkins Loan portfolio.

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, 2018, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $15,407,897. The current portion of the compensated absences liability, $1,482,317, 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 $85,002,000 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. At June 30, 2018, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.79 percent, which was a decrease of 0.02 from its proportionate share measured as of June 30, 2016.

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	3.25 percent, average, including inflation
Discount rate	3.58 percent
Healthcare cost trend rates	
Preferred Provider Organizations (PPO)	7.8 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
Health Maintenance Organizations (HMO)	5.2 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 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 June 30, 2017, valuation were based on the 2014 Experience Study prepared by Milliman on September 8, 2014. Updated assumptions for the FRS July 1, 2016, actuarial valuation were approved by the 2016 FRS Actuarial Assumptions Conference.

The remaining actuarial assumptions (e.g., initial per capita cost, healthcare cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, 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, 2015.
- The annual per capita claim costs have been updated to reflect current age-adjusted premiums.
- The premium rates have been updated to use the rates effective for 2017.
- Healthcare inflation rates have been updated to reflect the recent Getzen model published by the Society of Actuaries. Additionally, the updated trend rates reflect the information from the Report

on the Financial Outlook for the fiscal years ending June 30, 2017, through June 30, 2023, as adopted August 3, 2017, by the Self-Insurance Estimated Conference.

- The active mortality rates have been updated to use rates mandated by Chapter 2015-157, Laws of Florida for pension plans. This law mandates the use of the assumption in either of the two most recent FRS valuations. The rates are those outlined in the Milliman's July 1, 2016, FRS valuation report.
- The discount rate as of the measurement date for GASB Statement No. 75 purposes is 3.58 percent. The prior GASB Statement No. 45 valuation used 4.00 percent. The GASB Statement No. 75 discount rate is based on the 20-year municipal bond rate as of June 29, 2017.

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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
University's proportionate share of the total OPEB liability	$102,985,000	$85,002,000	$70,974,000

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:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$70,204,000	$85,002,000	$104,391,000

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

For the fiscal year ended June 30, 2018, the University recognized OPEB expense of $5,719,328. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 12,071,722
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	1,666,881	-
Transactions subsequent to the measurement date	1,532,320	-
Total	$ 3,199,201	$ 12,071,722

Of the total amount reported as deferred outflows of resources related to OPEB, $1,532,320 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 fiscal year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (1,486,406)
2020	(1,486,406)
2021	(1,486,406)
2022	(1,486,406)
2023	(1,486,406)
Thereafter	(2,972,811)
Total	$(10,404,841)

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, 2018, the University's proportionate share of the net pension liabilities totaled $58,135,201. Note 10. includes a complete discussion of defined benefit pension plans.

10. 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).

The University's FRS and HIS pension expense totaled $9,795,752 for the fiscal year ended June 30, 2018.

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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
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
Regular Class members initially enrolled on or after July 1, 2011	
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
Senior Management Service Class	2.00
Special Risk Class	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 2017-18 fiscal year were:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
FRS, Special Risk	3.00	23.27
Teachers Retirement System, Plan E	6.25	11.90
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	13.26
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 $4,309,975 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of $43,163,014 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.145922896 percent, which was an increase of 0.002079772 from its proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of $8,322,186. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,961,326	$ 239,101
Change of assumptions	14,505,820	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,069,687
Changes in proportion and differences between University contributions and proportionate share of contributions	3,410,685	-
University FRS contributions subsequent to the measurement date	4,309,975	-
Total	$ 26,187,806	$ 1,308,788

The deferred outflows of resources totaling $4,309,975, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 3,372,719
2020	7,085,824
2021	4,868,292
2022	1,154,371
2023	2,990,526
Thereafter	1,097,311
Total	$ 20,569,043

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.10 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 2017 valuation was updated from 7.60 percent to 7.10 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 7.10 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	**Current Discount Rate (7.10%)**	**1% Increase (8.10%)**
University's proportionate share of the net pension liability	$78,122,448	$43,163,014	$14,138,674

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, 2018, the University reported a payable of $384,439 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

<u>HIS Pension Plan</u>

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, 2018, 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, 2018, 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 $765,517 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of $14,972,187 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, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.140025649 percent, which was a decrease of 0.001007252 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the University recognized pension expense of $1,473,566. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 2,104,575	$ 1,294,661
Differences between expected and actual experience	-	31,175
Net difference between projected and actual earnings on HIS Plan investments	8,303	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,561,342	85,403
University HIS contributions subsequent to the measurement date	765,517	-
Total	$ 4,439,737	$ 1,411,239

The deferred outflows of resources totaling $765,517 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 580,114
2020	578,543
2021	577,788
2022	467,722
2023	242,708
Thereafter	(183,894)
Total	$ 2,262,981

Actuarial Assumptions. The total pension liability at July 1, 2017, 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	3.58 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 3.58 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 2017 valuation was updated from 2.85 percent to 3.58 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 3.58 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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	**Current Discount Rate (3.58%)**	**1% Increase (4.58%)**
University's proportionate share of the net pension liability	$17,085,250	$14,972,187	$13,212,125

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, 2018, the University reported a payable of $83,109 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

11. 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 2017-18 fiscal year were as follows:

Class	Percent of Gross Compensation
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, 2018, 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 $856,978 for the fiscal year ended June 30, 2018.

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, 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.45 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 $3,511,956, and employee contributions totaled $2,208,650 for the 2017-18 fiscal year.

12. Construction Commitments

The University's construction commitments at June 30, 2018, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Lab Science Annex	$ 31,328,862	$ 6,055,062	$ 25,273,800
Other Projects (1)	368,526	314,618	53,908
Total	$ 31,697,388	$ 6,369,680	$ 25,327,708

(1) Individual projects with a current balance committed of less than $1 million at June 30, 2018.

13. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2017-18 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 $92.5 million for named windstorm and flood through February 14, 2018, and decreased to $78 million starting February 15, 2018. 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.

14. 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.

15. 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:

Functional Classification	Amount
Instruction	$ 64,757,370
Research	24,608,809
Public Services	43,385,411
Academic Support	29,758,403
Student Services	13,501,475
Institutional Support	24,343,967
Operation and Maintenance of Plant	14,107,341
Scholarships, Fellowships, and Waivers	21,682,341
Depreciation	9,047,832
Auxiliary Enterprises	16,699,752
Loan Operations	1,294,713
Total Operating Expenses	$ 263,187,414

16. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations			
	University of West Florida Foundation, Inc. 6-30-18	West Florida Historic Preservation, Inc. 6-30-18	UWF Business Enterprises, Inc. 6-30-18	Total
Assets:				
Current Assets	$ 9,888,798	$ 1,750,840	$ 870,169	$ 12,509,807
Capital Assets, Net	54,972,353	5,342,266	3,778,700	64,093,319
Other Noncurrent Assets	105,251,413	834	-	105,252,247
Total Assets	170,112,564	7,093,940	4,648,869	181,855,373
Liabilities:				
Current Liabilities	3,025,783	41,874	536,320	3,603,977
Noncurrent Liabilities	45,665,805	-	6,650,555	52,316,360
Total Liabilities	48,691,588	41,874	7,186,875	55,920,337
Net Position:				
Net Investment in Capital Assets	7,258,692	5,342,266	3,778,700	16,379,658
Restricted Nonexpendable	63,374,934	-	-	63,374,934
Restricted Expendable	45,485,224	144,211	-	45,629,435
Unrestricted	5,302,126	1,565,589	(6,316,706)	551,009
Total Net Position	$ 121,420,976	$ 7,052,066	$ (2,538,006)	$ 125,935,036

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

	Direct-Support Organizations			
	University of West Florida Foundation, Inc. 6-30-18	West Florida Historic Preservation, Inc. 6-30-18	UWF Business Enterprises, Inc. 6-30-18	Total
Operating Revenues	$ 20,292,500	$ 1,120,044	$ 955,919	$ 22,368,463
Depreciation Expense	(2,949,112)	(318,928)	(129,978)	(3,398,018)
Operating Expenses	(9,005,460)	(978,898)	(628,529)	(10,612,887)
Operating Income (Loss)	8,337,928	(177,782)	197,412	8,357,558
Net Nonoperating Revenues (Expenses):				
Nonoperating Revenues	8,285,692	116,993	148,675	8,551,360
Interest Expense	(1,745,791)	-	-	(1,745,791)
Other Nonoperating Expenses	(4,499,967)	-	(4,900,701)	(9,400,668)
Net Nonoperating Revenues (Expenses)	2,039,934	116,993	(4,752,026)	(2,595,099)
Other Revenues	1,408,116	-	-	1,408,116
Increase (Decrease) in Net Position	11,785,978	(60,789)	(4,554,614)	7,170,575
Net Position, Beginning of Year	109,634,998	7,112,855	2,016,608	118,764,461
Net Position, End of Year	$ 121,420,976	$ 7,052,066	$ (2,538,006)	$ 125,935,036

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

	2017 (1)	2016 (1)
University's proportion of the total other postemployment benefits liability	0.79%	0.77%
University's proportionate share of the total other postemployment benefits liability	$ 85,002,000	$ 91,051,000
University's covered-employee payroll	$ 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	100.58%	113.33%

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

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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.145922896%	0.143843124%	0.136590124%	0.123943291%	0.101621006%
University's proportionate share of the FRS net pension liability	$ 43,163,014	$ 36,320,502	$ 17,642,446	$ 7,562,363	$ 17,493,498
University's covered payroll (2)	$ 84,767,273	$ 80,346,498	$ 72,474,365	$ 65,432,933	$ 80,062,817
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	50.92%	45.20%	24.34%	11.56%	21.85%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

(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

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 4,309,975	$ 3,798,732	$ 3,507,844	$ 3,330,183	$ 2,714,884
FRS contributions in relation to the contractually required contribution	(4,309,975)	(3,798,732)	(3,507,844)	(3,330,183)	(2,714,884)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 87,347,832	$ 84,767,273	$ 80,346,498	$ 72,474,365	$ 65,432,933
FRS contributions as a percentage of covered payroll	4.93%	4.48%	4.37%	4.59%	4.15%

(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.

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

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the HIS net pension liability	0.140025649%	0.141032901%	0.128838678%	0.118618004%	0.113527947%
University's proportionate share of the HIS net pension liability	$ 14,972,187	$ 16,436,799	$ 13,139,518	$ 11,091,073	$ 9,884,100
University's covered payroll (2)	$ 44,164,277	$ 43,134,639	$ 38,823,836	$ 34,892,579	$ 32,980,756
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.90%	38.11%	33.84%	31.79%	29.97%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

(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

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 765,517	$ 741,056	$ 722,884	$ 492,502	$ 406,345
HIS contributions in relation to the contractually required HIS contribution	(765,517)	(741,056)	(722,884)	(492,502)	(406,345)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 45,786,177	$ 44,164,277	$ 43,134,639	$ 38,823,836	$ 34,892,579
HIS contributions as a percentage of covered payroll	1.67%	1.68%	1.68%	1.27%	1.16%

(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.

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. The University's June 30, 2018, proportionate share of the total OPEB liability significantly increased from the prior fiscal year as a result of changes to benefits and assumptions discussed below:

Changes to Benefits and Assumptions. In 2018, amounts reported as changes of assumptions resulted from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return. Refer to Note 9. 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 7.60 percent to 7.10 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 increased from 2.85 percent to 3.58 percent.

Sherrill F. Norman, CPA
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The President of the Senate, the Speaker of the
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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, 2018, 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 20, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 20, 2019