

**State of Florida**  
**Division of Bond Finance**

**Notice**

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Copies of the printed Official Statement may be obtained from:

Florida Division of Bond Finance  
1801 Hermitage Boulevard  
Suite 200  
Tallahassee, Florida 32308

E-Mail: [bond@sbafla.com](mailto:bond@sbafla.com)  
Phone: (850) 488-4782  
Fax: (850) 413-1315

**New Issue- Book Entry Only**

This Official Statement has been prepared by the Division of Bond Finance to provide information about the 2013 Bonds. Selected information is presented on this cover page for the convenience of the reader. *To make an informed decision, a prospective investor should read this Official Statement in its entirety.* Unless otherwise indicated, capitalized terms have the meanings given in Appendix A.

**\$41,540,000**  
**STATE OF FLORIDA**  
**Board of Governors**  
**University of Florida Student Activity Revenue Bonds**  
**Series 2013**



**Dated: Date of Delivery**

**Due: July 1, as shown on the inside front cover**

**Bond Ratings**

AA Fitch Ratings  
AA Standard & Poor's Ratings Services  
Aa2 Moody's Investors Service

**Tax Status**

In the opinion of Bond Counsel, interest on the 2013 Bonds will be excluded from gross income for federal income tax purposes and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2013 Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The 2013 Bonds and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes imposed under Chapter 220, Florida Statutes, as amended. See "TAX MATTERS" herein for a description of other tax consequences to holders of the 2013 Bonds.

**Redemption**

The 2013 Bonds maturing on and after July 1, 2024, are subject to optional redemption as provided herein.

**Security**

The 2013 Bonds will be secured by and payable from the Pledged Revenues, which consist of the Student Activity and Service Fees ("A&S Fees") charged on a per credit hour basis to students at the University of Florida, plus investment earnings thereon. See "SECURITY FOR THE 2013 BONDS" for more detailed information. The 2013 Bonds will not be secured by a Debt Service Reserve Account. **The 2013 Bonds are not secured by the full faith and credit of the State of Florida or the University of Florida.**

**Lien Priority**

The lien of the 2013 Bonds on the Pledged Revenues is a first lien on such revenues and will be on a parity with any subsequently issued Additional Bonds.

**Additional Bonds**

Additional Parity Bonds payable on a parity with the 2013 Bonds may be issued if the average Pledged Revenues for the two immediately preceding fiscal years, as adjusted, are at least 120% of the Maximum Annual Debt Service. This description of the requirements for the issuance of the Additional Parity Bonds is only a summary of the complete requirements. See "SECURITY FOR THE 2013 BONDS - Additional Parity Bonds" herein for more complete information.

**Purpose**

Proceeds will be used to finance the 2013 Project and to pay costs of issuance.

**Interest Payment Dates**

January 1 and July 1, commencing January 1, 2014.

**Record Dates**

December 15 and June 15.

**Form/Denomination**

The 2013 Bonds will initially be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only through Direct Participants (defined herein) in denominations of \$1,000 and integral multiples thereof. Purchasers of the 2013 Bonds will not receive physical delivery of the 2013 Bonds. See "DESCRIPTION OF THE 2013 BONDS."

**Closing/Settlement**

It is anticipated that the 2013 Bonds will be available for delivery through the facilities of DTC in New York, New York on September 10, 2013.

**Bond Registrar/  
Paying Agent**

U.S. Bank Trust National Association, New York, New York.

**Bond Counsel**

Bryant Miller Olive P.A., Tallahassee, Florida.

**Issuer Contact**

Division of Bond Finance, (850) 488-4782, bond@sbafla.com

**Maturity Structure**

The 2013 Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover.

August 13, 2013

## MATURITY STRUCTURE

<u>Initial CUSIP®</u>	<u>Due Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield*</u>	<u>First Optional Redemption Date and Price</u>
34157MAA9	July 1, 2014	\$1,045,000	5.00%	0.30%	-
34157MAB7	July 1, 2015	1,340,000	5.00	0.56	-
34157MAC5	July 1, 2016	1,410,000	5.00	0.87	-
34157MAD3	July 1, 2017	1,480,000	5.00	1.19	-
34157MAE1	July 1, 2018	1,555,000	5.00	1.53	-
34157MAF8	July 1, 2019	1,630,000	5.00	1.87	-
34157MAG6	July 1, 2020	1,715,000	5.00	2.29	-
34157MAH4	July 1, 2021	1,800,000	5.00	2.62	-
34157MAJ0	July 1, 2022	1,890,000	5.00	2.91	-
34157MAK7	July 1, 2023	1,985,000	5.00	3.10	-
34157MAL5	July 1, 2024**	2,085,000	5.00	3.32	July 1, 2023 @ 100%
34157MAM3	July 1, 2025**	2,185,000	5.00	3.50	July 1, 2023 @ 100
34157MAN1	July 1, 2026**	2,295,000	5.00	3.68	July 1, 2023 @ 100
34157MAP6	July 1, 2027	2,410,000	4.00	4.02	July 1, 2023 @ 100
34157MAQ4	July 1, 2028	2,505,000	4.00	4.19	July 1, 2023 @ 100
34157MAR2	July 1, 2029	2,605,000	4.25	4.34	July 1, 2023 @ 100
34157MAS0	July 1, 2030	2,720,000	4.375	4.43	July 1, 2023 @ 100
34157MAT8	July 1, 2031	2,835,000	4.375	4.51	July 1, 2023 @ 100
34157MAU5	July 1, 2032	2,960,000	4.50	4.57	July 1, 2023 @ 100
34157MAV3	July 1, 2033	3,090,000	4.50	4.62	July 1, 2023 @ 100

\* Price and yield information provided by the underwriter.

\*\* The yield on these maturities is calculated to a 100% call on July 1, 2023.

The State of Florida has not authorized any dealer, broker, salesman or other person to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied on. Certain information herein has been obtained from sources other than records of the State of Florida which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the State of Florida. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the State of Florida since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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## STATE OFFICIALS

### BOARD OF GOVERNORS

**CHAIR**  
DEAN COLSON

**VICE CHAIR**  
MORTEZA HOSSEINI

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### GOVERNING BOARD OF THE DIVISION OF BOND FINANCE

**GOVERNOR**  
RICK SCOTT  
*Chairman*

**ATTORNEY GENERAL**  
PAM BONDI  
*Secretary*

**CHIEF FINANCIAL OFFICER**  
JEFF ATWATER  
*Treasurer*

**COMMISSIONER OF AGRICULTURE**  
ADAM H. PUTNAM

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**J. BEN WATKINS III**  
Director  
Division of Bond Finance

**ASHBEL C. WILLIAMS**  
Executive Director and CIO  
State Board of Administration of Florida

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**BOND COUNSEL**  
Bryant Miller Olive P.A.  
Tallahassee, Florida

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**OFFICIAL STATEMENT**  
**Relating to**  
**\$41,540,000**  
**STATE OF FLORIDA**  
**Board of Governors**  
**University of Florida Student Activity Revenue Bonds, Series 2013**

*For definitions of capitalized terms not defined in the text hereof, see Appendix A.*

**INTRODUCTION**

This Official Statement sets forth information relating to the sale and issuance of \$41,540,000 State of Florida, Board of Governors, University of Florida Student Activity Revenue Bonds, Series 2013, dated the date of delivery (the “2013 Bonds”), by the Division of Bond Finance of the State Board of Administration of Florida (the “Division of Bond Finance”).

Proceeds will be used to finance the expansion of the Student Union (the “2013 Project”) on the main campus of University of Florida in Gainesville, Florida (the “University”) and to pay costs of issuance. See “PURPOSE OF THE ISSUE” below for more detailed information.

The 2013 Bonds will be secured by and payable from the Pledged Revenues. The Pledged Revenues consist of the Student Activity and Service Fees charged on a per credit hour basis to students at the University, plus investment earnings thereon. The lien of the 2013 Bonds on the Pledged Revenues is a first lien on such revenues and will be on a parity with any subsequently issued Additional Bonds. See “SECURITY FOR THE 2013 BONDS” below for more detailed information.

**The 2013 Bonds are not a general obligation or indebtedness of the State of Florida or the University, and the full faith and credit of the State of Florida is not pledged to payment of the 2013 Bonds.**

Requests for additional information may be made to:

Division of Bond Finance  
Phone: (850) 488-4782  
Fax: (850) 413-1315  
E-mail: [bond@sbafla.com](mailto:bond@sbafla.com)  
Mail: P. O. Box 13300  
Tallahassee, Florida 32317-3300

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Any statements made in this Official Statement which involve opinions or estimates, whether or not expressly stated, are set forth as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. To make an informed decision, a full review should be made of the entire Official Statement. The descriptions of the 2013 Bonds and the documents authorizing and securing the same do not purport to be comprehensive or definitive. All references to and descriptions of such documents are qualified by reference to the actual documents. Copies of such documents may be obtained from the Division of Bond Finance.

*End of Introduction*



## **AUTHORITY FOR THE ISSUANCE OF THE 2013 BONDS**

### **General Legal Authority**

The 2013 Bonds are being issued by the Division of Bond Finance on behalf of the Board of Governors (the “Board”), pursuant to Article VII, Section 11(d) and Article IX, Section 7(d) of the Florida Constitution, the State Bond Act, Section 1010.62, Florida Statutes, and other applicable provisions of law. Section 1010.62, Florida Statutes, provides that the Student Activity and Service (“A&S”) Fees may be used to pay and secure debt except that annual debt service may not exceed an amount equal to 5 percent of the A&S Fees collected during the most recent 12 consecutive months for which collection information is available prior to the sale of bonds. Chapter 2012-134, Laws of Florida provides an exception to the debt service limitation in Section 1010.62 by permitting the University to use revenues from the A&S Fees to secure debt with annual debt service of up to \$3.5 million to finance or refinance the renovation and expansion of the Union. Article VII, Section 11(d), of the Florida Constitution provides that revenue bonds payable solely from funds derived directly from sources other than State tax revenues may be issued by the State of Florida or its agencies, without a vote of the electors, to finance or refinance capital projects. Section 215.59(2), Florida Statutes, authorizes the issuance of revenue bonds by the Division of Bond Finance pursuant to Article VII, Section 11(d), of the Florida Constitution. The Legislature has authorized the Division of Bond Finance to issue refunding bonds on behalf of any State agency in Section 215.79, Florida Statutes.

### **Division of Bond Finance**

The Division of Bond Finance, a public body corporate created pursuant to the State Bond Act, is authorized to issue bonds on behalf of the State or its agencies. The Governing Board of the Division of Bond Finance (the “Governing Board”) is composed of the Governor, as Chairman, and the Cabinet of the State of Florida, consisting of the Attorney General, as Secretary, the Chief Financial Officer, as Treasurer, and the Commissioner of Agriculture. The Director of the Division of Bond Finance may serve as an assistant secretary of the Governing Board.

### **State Board of Administration of Florida**

The State Board of Administration of Florida (the “Board of Administration”) was created under Article IV, Section 4 of the Florida Constitution, as revised in 1968 and subsequently amended, and succeeds to all the power, control and authority of the State Board of Administration established pursuant to Article IX, Section 16 of the Constitution of the State of Florida of 1885. It will continue as a body at least for the life of Article XII, Section 9 (c) of the Florida Constitution. The Board of Administration is composed of the Governor, as Chairman, the Attorney General and the Chief Financial Officer. Under the State Bond Act, the Board of Administration determines the fiscal sufficiency of all bonds proposed to be issued by the State of Florida or its agencies. The Board of Administration also acts as the fiscal agent of the Board of Governors in administering the Sinking Fund, the Rebate Fund, and the Reserve Account.

### **Board of Governors**

The Board of Governors is established by Article IX, Section 7 of the Florida Constitution. It is authorized to operate, regulate, control and manage the State University System. The responsibilities of the Board of Governors include defining the mission of each university, ensuring the coordination and operation of the University System and avoiding wasteful duplication of facilities or programs. Article IX, Section 7 provides that the Board of Governors shall establish the powers and duties of the university boards of trustees. See “University Board of Trustees” below. The Board of Governors' management of the University System is subject to the power of the legislature to appropriate funds.

The Board of Governors consists of seventeen members, fourteen of whom are appointed by the Governor to staggered seven-year terms as provided by law, subject to confirmation by the Florida Senate. The Commissioner of Education, the President of the Advisory Council of Faculty Senates, and the Chair of the Florida Student Association are *ex officio* members of the Board of Governors.

The following individuals have been appointed by the Governor to the Board of Governors:

<b><u>Board Members</u></b>	<b><u>Term Expires</u></b>
Dean Colson, Chair - attorney (Coral Gables, FL)	January 6, 2017
Morteza “Mori” Hosseini, Vice Chair - businessman (Daytona Beach, FL)	January 6, 2017
Richard A. Beard III - businessman (Tampa, FL)	January 6, 2017
Dr. Matthew Carter - attorney (Tallahassee, FL)	January 6, 2019
Patricia Frost - educator (Miami Beach, FL)	January 6, 2017
H. Wayne Huizenga, Jr. - businessman (Delray Beach, FL)	January 6, 2020
Thomas G. Kuntz - businessman (Winter Park, FL)	January 6, 2019
Ned C. Lautenbach - businessman (Naples, FL)	January 6, 2019
Alan Levine - businessman (Naples, FL)	January 6, 2020
Wendy Link - attorney (Palm Beach Gardens, FL)	January 6, 2020
Edward Morton - businessman (Naples, FL)	January 6, 2020
John Rood - businessman (Jacksonville, FL)	January 6, 2017
Norman D. Tripp - attorney (Fort Lauderdale, FL)	January 6, 2020
Elizabeth L. Webster - businesswoman (Weston, FL)	January 6, 2019

The following individuals are *ex officio* members of the Board of Governors:

Pam Stewart - Interim Commissioner of Education (Tallahassee, FL)  
Manoj Chopra - President, Advisory Council of Faculty Senates (Orlando, FL)  
Carlo Fassi - Chairman, Florida Student Association (Jacksonville, FL)

### **University Board of Trustees**

Article IX, Section 7 of the State Constitution provides for an appointed board of trustees at each State University. Each board of trustees consists of thirteen members and administers the University. Six members of each board are appointed by the Governor and five members are appointed by the Board of Governors. The appointed members must be confirmed by the Senate. The chair of the faculty senate and the president of the student body are also members of each board. See Appendix C, “University of Florida”, for a list of the trustees of the University.

### **Administrative Approval**

By a resolution adopted on March 28, 2012, the Board of Trustees requested the Board of Governors to request the issuance of the 2013 Bonds by the Division of Bond Finance. By a resolution adopted on June 21, 2012, the Board of Governors requested the Division of Bond Finance to proceed with the actions required for the issuance of the 2013 Bonds.

By a resolution adopted on June 26, 2012 (the “Original Resolution”), the Governor and Cabinet of the State of Florida, as the Governing Board of the Division of Bond Finance authorized the issuance and sale of the 2013 Bonds. The Original Resolution is reproduced as Appendix B to this Official Statement.

The Board of Administration approved the fiscal sufficiency of the 2013 Bonds, as required by the State Bond Act, on June 26, 2012.

## **DESCRIPTION OF THE 2013 BONDS**

The 2013 Bonds are being issued as fully registered bonds in the denomination of \$1,000 or integral multiples thereof. The 2013 Bonds are payable from the Pledged Revenues as described herein. The 2013 Bonds will be dated the date of delivery thereof and will mature as set forth on the inside front cover. Interest is payable semiannually on January 1 and July 1 of each year, commencing January 1, 2014, until maturity or redemption.

The 2013 Bonds will initially be issued exclusively in “book-entry” form. Ownership of one 2013 Bond for each maturity (as set forth on the inside front cover), each in the aggregate principal amount of such maturity, will be initially registered in the name of “Cede & Co.” as registered owner and nominee for the Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2013 Bonds. Individual purchases of the 2013 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2013 Bonds or any certificate representing their beneficial ownership interest in the 2013 Bonds. See Appendix G, “Provisions for Book-Entry Only System or Registered Bonds” for a description of DTC, certain responsibilities of DTC, the Board and the Bond Registrar/Paying Agent, and the provisions for registration and registration of transfer of the 2013 Bonds if the book-entry only system of registration is discontinued.

## **REDEMPTION PROVISIONS**

### **Optional Redemption**

The 2013 Bonds maturing in the years 2014 through 2023 both inclusive, are not redeemable prior to their stated dates of maturity. The 2013 Bonds maturing in 2024 and thereafter are redeemable prior to their stated dates of maturity, at the option of the Division of Bond Finance, (i) in part, by maturities is to be redeemed, or (ii) as a whole, on July 1, 2023, or on any date thereafter, at the principal amount of the 2013 Bonds so redeemed, together with interest accrued to the date of redemption.

### **Notice of Redemption**

Notices of redemption of 2013 Bonds or portions thereof will be mailed by first class mail at least 30 days prior to the date of redemption to Registered Owners of record as of 45 days prior to the date of redemption. Such notices of redemption will specify the serial numbers and the principal amount of the 2013 Bonds to be redeemed, if less than all, the date fixed for redemption, and the redemption price. In lieu of mailing, the Bond Registrar/Paying Agent may elect to provide such notice of redemption by electronic means to any Registered Owner who has consented to such method of receiving notice.

Failure to give, or any defect in, any required notice of redemption as to any particular 2013 Bonds will not affect the validity of the call for redemption of any 2013 Bonds with respect to which no such failure has occurred. Any notice mailed as provided in the Resolution will be conclusively presumed to have been duly given, whether or not the Registered Owner receives the notice.

Interest on the 2013 Bonds called for redemption will cease to accrue upon the redemption date.

## **PURPOSE OF THE ISSUE**

### **General**

The proceeds derived from the sale of the 2013 Bonds will be used to pay the cost of the 2013 Project and to pay costs of issuance of the 2013 Bonds.

## The 2013 Project

The J. Wayne Reitz Union (the “Union”), constructed in 1967, is the community center of the University, providing facilities, services, and programs designed to enhance the campus life experience for students and other members of the campus community. The Union offers a wide variety of activities, programs, and services including, but not limited to social and educational events for students, meeting and event facilities for students, faculty and staff, student organization offices and work spaces, dining venues, retail shops, offices, lounges, and a game room. Due to increased student population and activities, the University is planning to expand (Phase I) and renovate (Phase II) the Union. The 2013 Bonds will finance Phase I.

The Student Union Expansion Project (the “2013 Project”) will add approximately 100,000 square feet to the Union. The new space will include offices and program space for student clubs and organizations, and offices and program space for the Department of Student Activities and Involvement, the Center for Leadership and Service, the Office of Multicultural and Diversity Affairs, and the Wellness Center. The Project will also include a new ballroom, lounges, meeting rooms and dance rehearsal studios.

Construction of the 2013 Project will be coordinated by a construction manager selected in accordance with the applicable State University System requirements, which include: public advertisement; review of credentials; references and qualifications; confirmation of bonding capabilities; and a presentation interview. The University has entered into a contract with the construction manager for pre-construction services. The University received bids for civil and site utility work in July 2013 and will receive bids for structural, masonry, glazing, finishes, concrete, HVAC, electrical, fire protection, plumbing and elevators in October 2013. The University will enter into a final contract with the construction manager and begin construction in October 2013. Construction of the 2013 Project is projected to be completed in November 2014, and it is anticipated that the grand opening of the expanded and renovated Union will occur in August 2015.

The construction budget was developed by the University's Department of Facilities Design and Construction and was completed in September 2012. A project budget of \$44,000,000 was prepared which includes construction costs (\$36,115,000), professional fees (\$1,007,544), testing, inspection and telecommunications (\$2,103,000), furniture and equipment (\$1,974,456), and contingencies (\$2,800,000).

Prior to commencement of construction, the construction manager must provide a Labor and Materials Bond equal to 100% of the contract. The construction manager is required to carry a Builder's Risk Policy for the duration of the project, naming the University as co-insured. Oversight of the project will be conducted by the construction manager and the University's Department of Facilities Planning and Construction.

Principal participants for construction of the 2013 Project include:

Board of Governors:	Office of Facilities Planning and Construction
University of Florida:	Department of Facilities Planning and Construction
Architect:	Cannon Florida, Inc. d/b/a Cannon Design
Mechanical/Electrical Engineer:	KJWW, P.C.
Civil Engineer:	Causseaux, Hewett and Walpole, Inc.
Structural Engineer:	Structural Engineers Group, Inc.
Landscape Architect:	David Conner & Associates, Inc.
Construction Manager:	Skanska USA Building, Inc.
Commissioning Agent:	Affiliated Engineers SE, Inc.

In addition to compliance with all applicable codes and standards, permits are required from the Division of State Fire Marshal. The University has indicated that the hazardous materials asbestos, lead paint, and polychlorinated biphenyls (PCBs) are present on the construction site and will be abated.

## Sources and Uses of Funds

### Sources of Funds:

Par Amount of 2013 Bonds .....	\$41,540,000
Estimated Construction Fund Investment Earnings <sup>1</sup> .....	148,705
Plus: Original Issue Premium .....	<u>2,845,105</u>
Total Sources .....	<u>\$44,533,810</u>

### Uses of Funds:

Cost of the 2013 Project .....	\$44,000,000
Underwriter's Discount .....	392,948
Cost of Issuance .....	<u>140,862</u>
Total Uses .....	<u>\$44,533,810</u>

<sup>1</sup> Interest is estimated at 1.0% over the construction period.

## 2013 Project Construction Fund

The Resolution provides for the creation of the Project Construction Fund (the "Construction Fund"), a trust fund in the State Treasury to be used only for the payment of the costs of expansion of the Student Union on the main campus of the University. The Registered Owners of the 2013 Bonds will have a lien on all the proceeds of such Bonds deposited in the 2013 Project Construction Fund until such moneys are applied as provided in the Resolution. See "MISCELLANEOUS - Investment of Funds" below for policies governing the investment of the Construction Fund. Withdrawals from the Construction Fund are made as provided by law.

Funds remaining in the 2013 Project Construction Fund after completion of the 2013 Project shall be either (i) applied to fixed capital outlay projects of the Union or (ii) deposited into the Sinking Fund, to be used for the purposes thereof.

## SECURITY FOR THE 2013 BONDS

### Pledge of Student Activity and Service Fees

*General* - The 2013 Bonds will be secured by a first lien on revenues of the mandatory, per-credit hour Student Activity and Service Fees charged to students at the University (the "Pledged Revenues"). There are no other liens against the Pledged Revenues. The 2013 Bonds will not be secured by a Debt Service Reserve Account.

The 2013 Bonds are "Revenue Bonds" within the meaning of Article VII, Section 11(d), of the Florida Constitution, and are payable solely from funds derived directly from sources other than State tax revenues. **The 2013 Bonds do not constitute a general obligation or indebtedness of the State of Florida or any of its agencies or political subdivisions and shall not be a debt of the State of Florida or of any agency or political subdivision thereof, the Board of Governors or the University, and the full faith and credit of the State is not pledged to the payment of the principal of, premium, if any, or interest on the 2013 Bonds. The issuance of the 2013 Bonds does not, directly or indirectly or contingently, obligate the State of Florida to use State funds, other than the Pledged Revenues, to levy or to pledge any form of taxation whatsoever or to make any appropriation for payment of the principal of, premium, if any, or interest on the 2013 Bonds.**

## **Flow of Funds**

*Collection of Pledged Revenues.* Pledged Revenues are deposited in a trust fund (the “Revenue Fund”) in an approved bank to be administered in accordance with the Resolution and applicable laws.

*Application of Revenues.* All revenues on deposit in the Revenue Fund will be applied only in the following manner and order of priority:

(A) Transfer to the Board of Administration no later than 30 days before an Interest Payment Date and/or a Principal Payment Date to be used as follows:

- (1) for deposit into the Sinking Fund, an amount sufficient to pay the next installments of principal and interest to become due during the then current fiscal year, including Amortization Installments for any Term Bonds.
- (2) for payment of the Administrative Expenses.
- (3) for the maintenance and establishment, if necessary, together with other moneys available for such purposes, of a subaccount in the Reserve Account in the Sinking Fund in an amount equal to the Debt Service Reserve Requirement.
- (4) for deposit to the Rebate Fund, an amount of money sufficient to pay the Rebate Amount.

(B) The balance of any money not needed for the payments required in (A) above may be transferred to the University of Florida Board of Trustees Operating Fund or may be applied for any lawful purpose.

See “MISCELLANEOUS - Investment of Funds” herein for policies governing the investment of various funds.

## **Covenants of the Board**

The Board has additionally covenanted in the Resolution as follows:

(A) That it will, or will cause the University to, punctually pay the Pledged Revenues in the manner and at the times provided in the Resolution and that it will duly and punctually perform and carry out all the covenants of the Board and the duties imposed upon the Board by the Resolution.

(B) That in preparing, approving and adopting any budget controlling or providing for the expenditures of funds for each budget period it will, or will cause the University to, allocate, allot and approve from the Student Activity and Service Fee Revenues and other available funds the amounts sufficient to pay the Pledged Revenues as provided in the Resolution.

(C) That it will, or will cause the University to, from time to time recommend, fix and include in budgets such revisions to the Student Activity and Service Fee which will produce revenues sufficient to pay, when due, the amounts required under the Resolution.

(D) That it will, or will cause the University to, continue to collect the Student Activity and Service Fees at the rates which are in effect at any particular time.

## **Additional Bonds**

The Resolution provides that Additional Bonds may be issued, but only upon the following terms, restrictions and conditions: (A) the proceeds from such Additional Bonds will be used to acquire and construct capital additions or improvements to the University or to refund Outstanding Bonds; (B) the Board must request the issuance of the Additional

Bonds; (C) the Board of Administration must approve the fiscal sufficiency of such Additional Bonds; (D) certificates will be executed by the Board and/or the University setting forth (1) the average amount of Pledged Revenues from the two fiscal years immediately preceding the issuance of the proposed Additional Bonds, and (2) the Maximum Annual Debt Service on the bonds then Outstanding and the Additional Bonds then proposed to be issued; (E) the Board and the University must be current in all deposits into the various funds and accounts and all payments theretofore required to have been deposited or made by it under the provisions of the Resolution and the Board must be currently in compliance with the covenants and provisions of the Resolution and any supplemental resolution thereafter adopted for the issuance of Additional Bonds, unless upon the issuance of such Additional Bonds the Board will be in compliance with all such covenants and provisions; and (F) the average amount of Pledged Revenues for the two immediately preceding fiscal years, as adjusted as provided for in the Resolution, will be at least equal to 120% of the Maximum Annual Debt Service on the bonds then Outstanding, and the Additional Bonds then proposed to be issued. Additional Bonds issued in accordance with the Original Resolution will be on a parity as to lien on the Pledged Revenues with the Outstanding Bonds and the 2013 Bonds.

The Bonds may be refunded in whole or in part as long as the Additional Bond requirements are complied with, except that refunding bonds with a lower or equal Annual Debt Service Requirement in each Fiscal Year than the bonds they are refunding do not have to comply with the coverage provisions of the preceding paragraph.

The Resolution provides that for purposes of the Additional Bond test, Pledged Revenues may be adjusted to reflect actual and projected rate increases and actual changes in student population.

### **Student Activity and Service Fees**

The A&S Fees are levied on a per credit hour basis pursuant to Sections 1009.24(9) and (10), Florida Statutes. Students of the University pay the A&S Fee for all on-campus courses and, on a programmatic basis, some distance learning courses. As a "Preeminent State Research University Institute for Online Learning" under Chapter 2013-27, Laws of Florida, the University will soon begin offering online baccalaureate degree programs. Students enrolled in online baccalaureate degree programs will not be assessed A&S Fees. The University believes the online degree programs will allow the University to reach a different student market and accordingly does not forecast a resulting negative impact on Pledged Revenues.

The A&S Fees may be expended for lawful purposes to benefit the student body in general. The allocation and expenditure of the A&S Fees is determined by the student government association of the University. However, the president of the University may veto any line item or portion thereof within the budget submitted by the student government association and reallocate that vetoed portion to bonds secured by the A&S Fees. Unexpended funds and undisbursed funds remaining at the end of a fiscal year are carried over and remain in the student activity and service fund, to be available for allocation and expenditure during the next fiscal year.

*Limitations on the Student Activity and Service Fee* - In addition to the A&S Fees, the University's Board of Trustees is required by law to establish a "health" fee and an "athletic" fee. These fees are also levied on a per credit hour basis. The sum of these three fees may not exceed 40% of a student's tuition. In addition, the sum of these three fees may not be increased by more than the greater of 5% or the rate of inflation per year unless authorized by the Legislature. During the 2010 Regular Session, the Legislature authorized each state university to exceed the 5% annual cap on the increase to the aggregate sum of the athletic, activity and service, and health fees for Fiscal Year 2010-11. The increase could not exceed 15% or the amount required to reach the Fiscal Year 2009-10 statewide average of \$28.83 for the aggregate sum of the fees, whichever was greater. The University increased fees such that the sum of the three fees equaled the Fiscal Year 2009-10 statewide average, which equated to a 25% increase overall. The A&S Fee increased 30%, the Athletic Fee was held constant, and the health fee increased 24%.

The A&S Fees are currently \$16.06 per credit hour. The table below shows the historical A&S Fees, Athletic Fees and Health Fees for the last five fiscal years, as well as undergraduate tuition and fees as a percentage of tuition.

**Historical Athletic, Activity and Service, and Health Fees as Percentage of Tuition<sup>1</sup>**

<b>Academic Year</b>	<b>A&amp;S Fees</b>	<b>Athletic Fee</b>	<b>Health Fee</b>	<b>Sum of Fees</b>	<b>Undergraduate Tuition</b>	<b>Fees as Percentage of Tuition</b>
2008-09	\$10.16	\$1.90	\$9.89	\$21.95	\$82.03	26.8%
2009-10	10.65	1.90	10.49	23.04	88.59	26.0
2010-11	13.94	1.90	12.99	28.83	95.67	30.1
2011-12	14.55	1.90	13.82	30.27	103.32	29.3
2012-13	16.06	1.90	13.82	31.78	103.32	30.8

<sup>1</sup> Information provided by the University.

*Procedures for Increasing the Student Activity and Service Fee* - The Student Activity and Service Fee may only be increased if recommended by an activity and service fee committee, at least half of which must be students. Recommendations of the committee must be approved by the University president and Board of Trustees. An increase in the A&S Fee may only occur once each fiscal year and must be implemented in the fall semester.

The following two tables show historical and projected headcount enrollments and student credit hours for the main campus of the University. Despite increased demand, enrollment and student credit hours have declined over the past five years because the University has intentionally constrained enrollment due to state budget cuts and the desire to maintain the quality of education. Projected Student Credit Hours are the official estimates released by the University's Office of Institutional Planning & Research ("OIPR") in July 2012. OIPR projected a 1.8% decrease in Student Credit Hours for Fiscal Year 2012-13 to 1,219,709; however, actual Student Credit Hours, which are preliminary and subject to change, increased by 3.4% for Fiscal Year 2012-13, exceeding OIPR's estimate.

**Historical Headcount Enrollment  
and Student Credit Hours<sup>1</sup>**

<b>Fiscal Year</b>	<b>Fall Semester Headcount Enrollment</b>	<b>Percentage Change</b>	<b>Student Credit Hours</b>	<b>Percentage Change</b>
2008-09	52,112	(0.3)%	1,320,720	(1.4)%
2009-10	50,844	(2.4)	1,277,199	(3.3)
2010-11	50,116	(1.4)	1,255,440	(1.7)
2011-12	49,785	(0.7)	1,242,243	(1.1)
2012-13	48,367	(0.2)	1,285,000	3.4

<sup>1</sup> Headcount Enrollment and Student Credit Hours provided by the University.

**Projected Headcount Enrollment  
and Student Credit Hours<sup>1</sup>**

<b>Fiscal Year</b>	<b>Fall Semester Headcount Enrollment</b>	<b>Percentage Change</b>	<b>Student Credit Hours</b>	<b>Percentage Change</b>
2013-14	50,086	3.6%	1,212,974	(0.6)%
2014-15	49,820	(0.5)	1,210,756	(0.8)
2015-16	49,720	(0.2)	1,212,005	0.1
2016-17	49,819	0.2	1,214,378	0.2
2017-18	49,894	0.2	1,216,143	0.1

<sup>1</sup> Projections of Headcount Enrollment and Student Credit Hours provided by the University.



## Historical Pledged Revenues and Debt Service Coverage

The following table shows historical collections of the Pledged Revenues and the debt service coverage ratios for the previous five fiscal years. Although there was no debt secured by the Pledged Revenues during this time period, the debt service coverage ratios are calculated based on the Maximum Annual Debt Service for the 2013 Bonds of \$3,235,844.

### Historical Pledged Revenues and Pro Forma Debt Service Coverage

	Fiscal Years				
	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
A&S Fees	\$10.16	\$10.65	\$13.94	\$14.55	\$16.06
x Student Credit Hours	<u>1,320,720</u>	<u>1,277,199</u>	<u>1,255,440</u>	<u>1,242,243</u>	<u>12,850,002</u>
Pledged Revenues <sup>1</sup>	\$13,418,515	\$13,602,169	\$17,500,834	\$18,074,636	\$20,637,100
Maximum Annual Debt Service <sup>2</sup>	\$3,235,844	\$3,235,844	\$3,235,844	\$3,235,844	\$3,235,844
Coverage Ratio	4.15x	4.20x	5.41x	5.59x	6.38x

<sup>1</sup> Based on A&S Fees and Student Credit Hours provided by the University.

<sup>2</sup> Maximum Annual Debt Service for the 2013 Bonds, payable in Fiscal Year 2023-24.

## Projected Pledged Revenues and Debt Service Coverage

The following table shows projected debt service coverage based on projected Pledged Revenues and actual debt service for the 2013 Bonds. The projections of Pledged Revenues have been prepared by the University assuming the A&S Fees will remain at \$16.06 per credit hour through Fiscal Year 2017-18 and student credit hours will remain relatively constant at approximately 1.2 million per year through Fiscal Year 2017-18. **Projections are statements of opinion based upon the most recent available information, which is believed to be accurate, and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

### Projected Pledged Revenues and Debt Service Coverage

	Fiscal Years				
	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
A&S Fees	\$16.06	\$16.06	\$16.06	\$16.06	\$16.06
x Student Credit Hours <sup>1</sup>	<u>1,212,974</u>	<u>1,210,756</u>	<u>1,212,005</u>	<u>1,214,378</u>	<u>1,216,143</u>
Projected Pledged Revenues	\$19,480,362	\$19,444,741	\$19,464,800	\$19,502,911	\$19,531,257
Annual Debt Service on 2013 Bonds	\$2,615,977	\$3,231,094	\$3,234,094	\$3,233,594	\$3,234,594
Maximum Annual Debt Service <sup>2</sup>	\$3,235,844	\$3,235,844	\$3,235,844	\$3,235,844	\$3,235,844
Coverage Ratios					
Annual Debt Service Coverage	7.45x	6.02x	6.02x	6.03x	6.04x
Maximum Annual Debt Service Coverage	6.02x	6.01x	6.02x	6.03x	6.04x

<sup>1</sup> The projected Student Credit Hours are the official estimates of the University's Office of Institutional Planning and Research released July 2012.

<sup>2</sup> Maximum annual debt service on the 2013 Bonds occurs in Fiscal Year 2023-24 and thereafter in Fiscal Year 2029-30.

## SCHEDULE OF DEBT SERVICE

The table below shows the debt service on the 2013 Bonds.

<u>Fiscal Year</u>	<u>Debt Service on the 2013 Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$1,045,000	\$1,570,977	\$2,615,977
2015	1,340,000	1,891,094	3,231,094
2016	1,410,000	1,824,094	3,234,094
2017	1,480,000	1,753,594	3,233,594
2018	1,555,000	1,679,594	3,234,594
2019	1,630,000	1,601,844	3,231,844
2020	1,715,000	1,520,344	3,235,344
2021	1,800,000	1,434,594	3,234,594
2022	1,890,000	1,344,594	3,234,594
2023	1,985,000	1,250,094	3,235,094
2024	2,085,000	1,150,844	3,235,844
2025	2,185,000	1,046,594	3,231,594
2026	2,295,000	937,344	3,232,344
2027	2,410,000	822,594	3,232,594
2028	2,505,000	726,194	3,231,194
2029	2,605,000	625,994	3,230,994
2030	2,720,000	515,281	3,235,281
2031	2,835,000	396,281	3,231,281
2032	2,960,000	272,250	3,232,250
2033	<u>3,090,000</u>	<u>139,050</u>	<u>3,229,050</u>
	<u>\$41,540,000</u>	<u>\$22,503,246</u>	<u>\$64,043,246</u>

Note: Numbers may not add due to rounding.

## PROVISIONS OF STATE LAW

### Bonds Legal Investment for Fiduciaries

The State Bond Act provides that all bonds issued by the Division of Bond Finance are legal investments for state, county, municipal or other public funds, and for banks, savings banks, insurance companies, executors, administrators, trustees, and all other fiduciaries and also are securities eligible as collateral deposits for all state, county, municipal, or other public funds.

### Negotiability

The 2013 Bonds will have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Law of the State.

## **TAX MATTERS**

### **General**

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements which must be met subsequent to the issuance and delivery of the 2013 Bonds in order that interest on the 2013 Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the 2013 Bonds to be included in federal gross income retroactive to the date of issuance of the 2013 Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the 2013 Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Board, the Division of Bond Finance and the Board of Administration have covenanted in the Resolution to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the 2013 Bonds.

In the opinion of Bond Counsel, assuming compliance with the aforementioned covenants, under existing laws, regulations, judicial decisions and rulings, interest on the 2013 Bonds is excluded from gross income of the holders thereof for purposes of federal income taxation. Interest on the 2013 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations; however, interest on the 2013 Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The 2013 Bonds and the income thereon are not subject to any tax under the laws of the State of Florida except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of 2013 Bonds. Prospective purchasers of 2013 Bonds should be aware that the ownership of 2013 Bonds may result in collateral federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry 2013 Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the 2013 Bonds, (iii) the inclusion of interest on the 2013 Bonds in earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on 2013 Bonds in passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of interest on the 2013 Bonds in “modified adjusted gross income” by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining whether such benefits are included in gross income for federal income tax purposes.

### **Information Reporting and Backup Withholding**

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to “backup withholding” at the rate specified in the Code with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

## **Tax Treatment of Bond Premium**

The 2013 Bonds maturing in the years 2014 through 2026 were offered and sold to the public at prices in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as “bond premium.” For federal income tax purposes, bond premium is amortized over the term of the bonds or to the first optional redemption date in the case of callable bonds. A bondholder will therefore be required to decrease his basis in the 2013 Bonds by the amount of amortizable bond premium attributable to each taxable year such bondholder holds such 2013 Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Bondholders of such 2013 Bonds should consult their own tax advisors with respect to the precise determination of federal income tax treatment of bond premium upon sale, redemption, or other disposition of such 2013 Bonds.

## **Tax Treatment of Original Issue Discount**

The 2013 Bonds maturing in the years 2027 through 2033 were offered and sold to the public at prices below their maturity amount. Under the Code, the difference between the maturity amounts of such 2013 Bonds and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of 2013 Bonds of the same maturity was sold is “original issue discount.” Original issue discount will accrue over the terms of such 2013 Bonds at a constant interest rate compounded periodically. A purchaser who acquires such 2013 Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he holds such 2013 Bonds, and will increase his adjusted basis in such 2013 Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such 2013 Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of such 2013 Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Owners of such 2013 Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of 2013 Bonds and with respect to the state and local tax consequences of owning and disposing of such 2013 Bonds.

**Purchase, ownership or sale or disposition of the 2013 Bonds and the receipt of the interest thereon may have adverse federal tax consequences for certain individual and corporate bondholders. Prospective 2013 Bondholders should consult their tax specialists for information in that regard.**

During recent years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the 2013 Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the 2013 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the 2013 Bonds and their market value. No assurance can be given that legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse affect upon, the 2013 Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been made and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2013 Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of the 2013 Bonds.

## **State Taxes**

The 2013 Bonds and the income therefrom are not subject to any taxation by the State or any county, municipality, political subdivision, agency, or instrumentality of the State, except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

Florida laws governing the imposition of estate taxes do not provide for an exclusion of state or local bonds from the calculation of the value of the gross estate for tax purposes. Florida's estate tax is generally calculated on the basis of the otherwise unused portion of the federal credit allowed for state estate taxes. Under Chapter 198, Florida Statutes, all values for state estate tax purposes are as finally determined for federal estate tax purposes. Since state and local bonds are included in the valuation of the gross estate for federal tax purposes, such obligations would be included in such calculation for Florida estate tax purposes. Prospective owners of the 2013 Bonds should consult their own attorneys and advisors for the treatment of the ownership of the 2013 Bonds for estate tax purposes.

The 2013 Bonds and the income therefrom are subject to the tax imposed by Chapter 220 on interest, income, or profits on debt obligations owned by corporations and other specified entities.

## **MISCELLANEOUS**

### **Investment of Funds**

All State funds are invested by either the Chief Financial Officer or the Board of Administration.

*Funds Held Pursuant to the Resolution* - The Resolution directs the manner in which funds held in the various funds may be invested. At closing, the net proceeds of the 2013 Bonds will be deposited into the 2013 Project Construction Fund in the State Treasury to pay the costs of the 2013 Project. After collection, the Pledged Revenues are transferred to the Revenue Fund, and amounts required for debt service are transferred to the Sinking Fund held by the Board of Administration. See "*Investment by the Chief Financial Officer*" and "*Investment by the Board of Administration*" below.

*Investment by the Chief Financial Officer* - Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2013, the ratio was approximately 58% internally managed funds, 39% externally managed funds, 4% Certificates of Deposit and 8% in an externally managed Security Lending program. The total portfolio market value on June 30, 2013, was \$22,648,609,240.97.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2013, \$14.432 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury; additionally, \$5.906 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

As provided by State law, the Treasury must be able to timely meet all disbursement needs of the State. Accordingly, the Treasury allocates its investments to provide for estimated disbursements plus a cushion for liquidity in instances of greater-than-expected disbursement demand.

To this end, a portion of Treasury's investments are managed for short-term liquidity and preservation of principal. The remainder is managed to obtain maximum yield, given the safety parameters of State law and Treasury's Comprehensive Investment Policy. Investments managed for short-term liquidity and preservation of principal are managed "internally" by Treasury personnel. Treasury personnel also manage approximately \$2.8 billion to cash enhanced and intermediate strategies to provide additional return. The majority of investments managed for a maximum return are managed by "external" investment managers not employed by the State.

The Externally Managed Investment Program provides long-term value while limiting risk appropriately and provides a backup source of liquidity. External investment strategy focuses on medium-term and long-term fixed income securities, rather than money market instruments, in order to take advantage of higher returns historically achieved by such securities. Portfolio managers are hired to actively manage funds. These funds may be invested in U.S. Treasury government agency obligations, investment grade corporate debt, municipal debt, mortgage backed securities, asset backed securities, negotiable certificates of deposit, and U.S. dollar denominated investment-grade foreign bonds that are registered with the Securities and Exchange Commission. The managers may also use leveraging techniques such as forward purchase commitments, covered options, and interest rate futures.

*Investment by the Board of Administration* - The Board of Administration manages investment of assets on behalf of the members of the Florida Retirement System (the “FRS”) Defined Benefit Plan. It also acts as sinking fund trustee for most State bond issues and oversees the management of a short-term investment pool for local governments and smaller trust accounts on behalf of third party beneficiaries.

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2013, the Board of Administration directed the investment/administration of 38 funds in over 500 portfolios.

As of June 30, 2013 the total market value of the FRS (Defined Benefit) Trust Fund was \$132,382,915,266.23. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

The Board of Administration uses a variety of derivative products as part of its overall investment strategy. These products are used to manage risk or to execute strategies more efficiently or more cost effectively than could be done in the cash markets. They are not used to speculate in the expectation of earning extremely high returns. Any of the products used must be within investment policy guidelines designed to control the overall risk of the portfolio.

The Board of Administration invests assets in 37 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2013, the total market value of these funds equaled \$29,450,330,654.20. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plan. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

Investment of bond sinking funds is controlled by the resolution authorizing issuance of a particular series of bonds. The Board of Administration's investment policy with respect to sinking funds is that only U.S. Treasury securities, and repurchase agreements backed thereby, be used.

## **Bond Ratings**

Standard & Poor's Ratings Services, Moody's Investors Service and Fitch Ratings (herein referred to collectively as “Rating Agencies”), have assigned their municipal bond ratings of AA, Aa2 and AA, respectively, to the 2013 Bonds. Such ratings reflect only the respective views of such Rating Agencies at the time such ratings were issued, and an explanation of the significance of such ratings may be obtained from any of the respective rating agencies.

The University furnished to such Rating Agencies certain information and material in respect to the State, the University and the 2013 Bonds. Generally, Rating Agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the Rating Agencies. There is no assurance that such ratings will be maintained for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the Rating

Agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in, suspension of or withdrawal of such ratings may have an adverse effect on the market price of the 2013 Bonds.

## **Litigation**

Currently there is no litigation pending, or to the knowledge of the University, the Board, or the Division of Bond Finance threatened, which, if successful, would have the effect of restraining or enjoining the issuance or delivery of the 2013 Bonds or the fixing or collection of the revenues pledged thereto. Nor is there currently any litigation pending, or to the knowledge of the University, the Board, or the Division of Bond Finance threatened which questions or affects the validity of the 2013 Bonds or the proceedings and authority under which the 2013 Bonds are to be issued. Further, there is currently no litigation pending, or to the knowledge of the University, the Board, or the Division of Bond Finance threatened, which questions or affects the corporate existence of the Board or the title of the present officers to their respective offices. The University, the Board, and the Division of Bond Finance from time to time engage in routine litigation the outcome of which would not be expected to have any material adverse affect on the issuance and delivery of the 2013 Bonds.

## **Legal Opinion and Closing Certificates**

The approving legal opinion of Bryant Miller Olive P.A., Tallahassee, Florida, will be provided on the date of delivery of the 2013 Bonds, as well as a certificate, executed by appropriate State officials, to the effect that to the best of their knowledge the Official Statement, as of its date and as of the date of delivery of the 2013 Bonds, does not contain an untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is intended to be used, or which is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading. A proposed form of the legal opinion of Bond Counsel is attached hereto as Appendix F.

## **Continuing Disclosure**

The Board and the University will undertake, for the benefit of the beneficial owners and the Registered Owners of the 2013 Bonds to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain material events. Such financial information and operating data will be transmitted to the Municipal Securities Rulemaking Board (the “MSRB”) using its Electronic Municipal Market Access System (“EMMA”). Any notice of material events will also be transmitted to the MSRB using EMMA. The form of the undertaking is set forth in Appendix E, Form of Continuing Disclosure Agreement. This undertaking is being made in order to assist the underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission.

Neither the Board, the University nor the Division of Bond Finance has failed to make any disclosures required by Rule 15c2-12.

## **Underwriting**

Raymond James & Associates, Inc. (the “Underwriters”) have agreed to purchase the 2013 Bonds at an aggregate purchase price of \$43,992,157.27 (which represents the par amount of the 2013 Bonds plus an original issue premium of \$2,845,104.90 and minus the Underwriters’ discount of \$392,947.63). The Underwriters may offer and sell the 2013 Bonds to certain dealers (including dealers depositing bonds into investment trusts) and others at prices lower than the offering price stated on the inside front cover.

## **Execution of Official Statement**

The Division of Bond Finance and the Board have authorized the execution and delivery of the Official Statement.

DIVISION OF BOND FINANCE of the STATE  
BOARD OF ADMINISTRATION OF FLORIDA

RICK SCOTT  
Governor, as Chairman of the Governing Board  
of the Division of Bond Finance

J. BEN WATKINS III  
Director  
Division of Bond Finance

BOARD OF GOVERNORS

DEAN COLSON  
Chair



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**DEFINITIONS**

“2013 Bonds” means the \$41,540,000 State of Florida, Board of Governors, University of Florida Student Activity Revenue Bonds, Series 2013.

“2013 Project” means the expansion of the J. Wayne Reitz Union at the University of Florida, as previously approved by the Board of Governors, and subject to any deletions, modifications, or substitutions deemed necessary and expedient and approved by resolution of the Board of Governors.

“A&S Fees” or “Student Activity and Service Fees” means the gross revenues derived from the assessment of a mandatory, per-credit hour activity and service fee charged to students at the University pursuant to Sections 1009.24(9)&(10), Florida Statutes, as amended, plus investment earnings thereon.

“Additional Bonds” or “Additional Parity Bonds” means, at any point in time, Bonds to be issued on a parity with the Bonds then Outstanding.

“Administrative Expenses” means, with respect to the Bonds or the administration of any funds under the Resolution, to the extent applicable: (i) fees or charges, or both, of the Board of Administration and the Division of Bond Finance; and (ii) such other fees or charges, or both, as may be approved by the Board of Administration or the Division of Bond Finance, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

“Amortization Installment” means an amount so designated which is established for the Term Bonds of each Series; provided that each such Amortization Installment shall be deemed due upon the date provided by subsequent resolution adopted by the Division of Bond Finance and the aggregate of such Amortization Installments for each Series shall equal the aggregate principal of the Term Bonds together with redemption premiums, if any, on the Term Bonds.

“Annual Debt Service Requirement” means, for any Fiscal Year, the remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be), required to be deposited in such Fiscal Year into the Sinking Fund to pay the interest, principal and Amortization Installment in such Fiscal Year. In the calculation of the Annual Debt Service Requirement, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year, excluding the Amortization Installment due in the year of maturity, shall not be included as part of the Amortization Installment in determining the Annual Debt Service Requirement for that Fiscal Year.

“Assistant Secretary” means an Assistant Secretary of the Division.

“Board of Administration” means the State Board of Administration, as created pursuant to the provisions of Article IV, Section 4 of the Florida Constitution, and Chapter 215, Florida Statutes.

“Board of Governors” means the Florida Board of Governors, a body corporate, established pursuant to Article IX, Section 7, Florida Constitution, and includes any other entity succeeding to the powers thereof.

“Board of Trustees” means the Board of Trustees of the University.

“Bond Counsel” means counsel, experienced in matters relating to the validity of, and the tax exemption of interest on, obligations of states and their political subdivisions, as selected by the Division of Bond Finance.

“Bond Registrar/Paying Agent” means U.S. Bank Trust National Association, New York, New York, or its successor.

“Bonds” means the State of Florida, Board of Governors, University of Florida Student Activity Revenue Bonds issued from time to time pursuant to the Original Resolution.

“Code” means the Internal Revenue Code of 1986, as amended, and temporary, proposed or permanent implementing regulations promulgated thereunder.

“Debt Service Reserve Account” or “Reserve Account” means the account within the Sinking Fund created pursuant to Section 4.02(A)(1)(c) of the Original Resolution and which shall include any subaccounts established for a particular Series of Bonds.

“Director” means the Director of the Division or any Assistant Secretary delegated authority by the Director.

“Division” or “Division of Bond Finance” means the Division of Bond Finance of the State Board of Administration of Florida.

“Fiscal Year” means the period beginning with and including July 1 of each year and ending with and including the next June 30.

“Governing Board” means the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance.

“Holder of Bonds” or “Bond Holder” or any similar term, means any person who shall be the registered owner of any Bonds.

“Interest Payment Date” means, for the 2013 Bonds, January 1 and July 1 of each year.

“Maximum Annual Debt Service” means, at any time, the maximum amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be), required to be deposited into the Sinking Fund during the then current or any succeeding Fiscal Year. For the purpose of calculating the deposits to be made into a sub-account in the Reserve Account, Maximum Annual Debt Service shall mean, at any time, the maximum amount, if any, required to be deposited during the then current or any succeeding Fiscal Year, into the Sinking Fund with respect to the Bonds for which such sub-account has been established. In the calculation of Maximum Annual Debt Service, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year shall not be included as part of the Amortization Installment in determining the Maximum Annual Debt Service for that Fiscal Year.

“Original Resolution” means the resolution adopted by the Governing Board on June 26, 2012, authorizing the issuance of the 2013 Bonds.

“Outstanding” means, as of any date of determination, all Bonds theretofore authenticated and delivered, except:

(i) bonds theretofore canceled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) bonds which are deemed paid and defeased and no longer outstanding as provided in the document authorizing such bonds;

(iii) bonds in lieu of which other bonds have been issued pursuant to the provisions of the document authorizing such bonds relating to bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such bond is held by a bona fide purchaser;

(iv) for purposes of any consent or other action to be taken under the document authorizing such bonds by the Registered Owners of a specified percentage of principal amount of such bonds, bonds held by or for the account of the Division or the Board of Governors; and

(v) Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount of such payment has been reimbursed to the issuer of such Bond Insurance Policy (or monies have been deposited to defease such payment).

“Parity Bonds” means any Additional Parity Bonds.

“Pledged Revenues” means Student Activity and Service Fees.

“Principal Payment Date” means, for each Series of Bonds, the dates during each Fiscal Year on which the principal of the Outstanding Bonds of such Series is payable, as set forth pursuant to a subsequent resolution of the Division of Bond Finance.

“Rating Agency” means a nationally recognized bond rating agency.

“Record Date” means December 15 for the January 1 debt service payment and June 15 for the July 1 debt service payment.

“Registered Owner” means any person who shall be the registered owner of any Bond.

“Reserve Account Credit Facility” means a Reserve Account Insurance Policy, Reserve Account Letter of Credit or other comparable insurance, guarantee or financial product, if any, deposited in a sub-account of the Reserve Account in lieu of or in partial substitution for cash or securities on deposit therein. The issuer providing such Reserve Account Credit Facility shall be rated in one of the two highest full rating categories of a Rating Agency.

“Reserve Account Insurance Policy” means the insurance policy, surety bond or other acceptable evidence of insurance, if any, deposited in a sub-account of the Reserve Account, if any, in lieu of or in partial substitution for cash or securities on deposit therein. The issuer providing such Reserve Account Insurance Policy shall be an insurer rated in one of the two highest full rating categories of a Rating Agency.

“Reserve Account Letter of Credit” means the irrevocable, transferable letter of credit, if any, in lieu of or in partial substitution for cash or securities on deposit therein. The issuer providing such Reserve Account Letter of Credit shall be a banking association, bank or trust company, or branch thereof rated in one of the two highest full rating categories of a Rating Agency.

“Reserve Requirement”\* or “Debt Service Reserve Requirement”\* means, as of any date of calculation for a particular debt service reserve subaccount, an amount determined pursuant to resolution of the Governing Board, which amount shall not exceed the lesser of (1) the Maximum Annual Debt Service on the Bonds secured by such subaccount, (2) 125% of the average annual debt service of the Bonds secured by such subaccount for the then current and succeeding Fiscal Years, (3) 10% of the par amount of the Bonds secured by such subaccount, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations and applicable to the Bonds secured by such subaccount under the Code.

“Resolution” means the Original Resolution, as amended and supplemented from time to time.

“Revenue Fund” means the University of Florida Activity and Service Fees Revenue Fund established in section 4.02(A) of the Original Resolution.

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\* There will be no Debt Service Reserve for the 2013 Bonds.

“Series” or “Series of Bonds” means all of the Bonds authenticated and delivered on original issuance pursuant to the Resolution or any supplemental resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II of the Resolution, regardless of variations in maturity, interest rate or other provisions.

“Sinking Fund” means the fund created by section 4.02(A)(1)(a) of the Original Resolution.

“State” means the State of Florida.

“Term Bonds” means the Bonds of a Series which shall be stated to mature on one date and for the amortization of which payments are required to be made into the Bond Amortization Account in the created by the Resolution, as maybe provided in a subsequent resolution of the Division.

“Union” means the J. Wayne Reitz Union on the main campus of the University.

“University” means the University of Florida.

Where the context so requires, words importing singular number shall include the plural number in each case and vice versa, words importing persons shall include firms and corporations, and the masculine includes the feminine and vice versa.

**APPENDIX B**

**DIVISION OF BOND FINANCE  
OF THE  
STATE BOARD OF ADMINISTRATION  
OF FLORIDA**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF  
STATE OF FLORIDA  
BOARD OF GOVERNORS  
UNIVERSITY OF FLORIDA  
STUDENT ACTIVITY REVENUE BONDS  
SERIES 2012**

**Adopted June 26, 2012**

**A RESOLUTION AUTHORIZING THE ISSUANCE OF STATE OF FLORIDA, BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA STUDENT ACTIVITY REVENUE BONDS, SERIES 2012, TO FINANCE THE EXPANSION OF THE J. WAYNE REITZ UNION ON THE MAIN CAMPUS OF THE UNIVERSITY OF FLORIDA; PROVIDING FOR CERTAIN COVENANTS IN CONNECTION THEREWITH AND PROVIDING FOR AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION:**

**ARTICLE I  
DEFINITIONS AND AUTHORITY**

**SECTION 1.01. AUTHORITY FOR THIS RESOLUTION.** This Resolution is adopted pursuant to the provisions of Article VII, Section 11(d) of the Florida Constitution; Sections 215.57-215.83, Florida Statutes (the "State Bond Act"); Section 1010.62, Florida Statutes; Chapter 2012-134, Section 42, Laws of Florida, and other applicable provisions of law.

**SECTION 1.02. DEFINITIONS.** The following terms shall have the following meanings in this Resolution unless the text otherwise requires:

**"2012 Project"** means the expansion of the J. Wayne Reitz Union at the University of Florida, as previously approved by the Board of Governors, and subject to any deletions, modifications, or substitutions deemed necessary and expedient and approved by resolution of the Board of Governors.

**"2012 Project Construction Fund"** means a trust fund held in the State Treasury in which shall be deposited the net proceeds of the 2012 Bonds and other available moneys for the construction of the 2012 Project.

**"Accreted Value"** means, as of any date of computation with respect to any Capital Appreciation Bonds, an amount equal to the principal amount of such Capital Appreciation Bond at its initial offering plus the accrued interest on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Payment Date next preceding the date of computation or to the date of computation if such date is an Interest Payment Date, such interest to accrue at a rate per annum determined pursuant to a subsequent resolution of the Division of Bond Finance (not to exceed the maximum rate permitted by law), compounded periodically, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bond, if such date of computation shall not be an Interest Payment Date, the ratable portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of delivery of the Bonds to the original purchasers thereof if the date of computation is prior to the first Interest Payment Date succeeding the date of delivery) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

**"Activity and Service Fees"** means the gross revenues derived from the assessment of an activity and service fee charged to students at the University pursuant to Sections 1009.24(9)&(10), Florida Statutes, as amended, plus investment earnings thereon.

**"Additional Bonds"** means any obligations hereafter issued pursuant to the terms and conditions of this Resolution and payable from the Pledged Revenues on a parity with any Bonds previously issued hereunder. Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Bonds previously authorized and issued pursuant to this Resolution, and all of the applicable covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent herewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds previously authorized and issued pursuant to this Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with this Resolution. All of such Additional Bonds, regardless of the time or times of their issuance, shall rank equally with other Bonds with respect to their lien on and source and security for payment from the Pledged Revenues without preference or priority of any Bonds over any other.

**"Administrative Expenses"** means, with respect to the Bonds or the administration of any funds under this Resolution, to the extent applicable: (i) fees or charges, or both, of the Board of Administration and the Division of Bond Finance; and (ii) such other fees or charges, or both, as may be approved by the Board of Administration or the Division of Bond Finance, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

**"Amortization Installment"** means an amount so designated which is established for the Term Bonds of each Series; provided that each such Amortization Installment shall be deemed due upon the date determined pursuant to a subsequent resolution adopted by the Division of Bond Finance and the aggregate of such Amortization Installments for each Series shall equal the aggregate principal of the Term Bonds of such Series.

**"Annual Debt Service Requirement"** means, for any Fiscal Year, the remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be) required to be deposited in such Fiscal Year into the Sinking Fund to pay the interest, principal and Amortization Installment in such Fiscal Year. In the calculation of the Annual Debt Service Requirement, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year, excluding the Amortization Installment due in the year of maturity, shall not be included as part of the Amortization Installment in determining the Annual Debt Service Requirement for that Fiscal Year.

**"Assistant Secretary"** means an Assistant Secretary of the Division of Bond Finance.

**"Board of Administration"** means the State Board of Administration, as created pursuant to the provisions of Article IV, Section 4, Florida Constitution, and Chapter 215, Florida Statutes.

**"Board of Governors"** or **"Board"** means the Board of Governors created by Article IX, Section 7 of the Florida Constitution, and includes any other entity succeeding to the powers thereof.

**"Board of Trustees"** means the Board of Trustees of the University of Florida.

**"Bond Insurance Policy"** means an insurance policy issued for the benefit of the Registered Owners of any Bond, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bond to the extent of any deficiency in the amounts in the funds and accounts held under this Resolution, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

**"Bond Registrar/Paying Agent"** means U.S. Bank Trust National Association, New York, New York, or its successor, unless a different Bond Registrar/Paying Agent is provided for by subsequent resolution of the Division of Bond Finance.

**"Bond Year"** means, with respect to a particular Series of Bonds issued hereunder, the annual period relevant to the application of Section 148(f) of the Code to the Series of Bonds, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the date of issuance of the Series unless the Division of Bond Finance selects another date on which to end a Bond Year in the manner permitted by the Code.

**"Bonds"** means the State of Florida, Board of Governors, University of Florida Student Activity Revenue Bonds, Series 2012 issued pursuant to this Resolution and any Additional Bonds issued in accordance with Section 5.01 of this Resolution.

**"Capital Appreciation Bonds"** means those Bonds as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding and is payable in an amount equal to the then current Accreted Value at the maturity, earlier redemption or other payment date thereof, and which may be either Serial Bonds or Term Bonds, all as determined pursuant to a subsequent resolution of the Division of Bond Finance.

**"Code"** means the Internal Revenue Code of 1986, as amended, and temporary, proposed or permanent implementing regulations promulgated thereunder.



**“Completion Bonds”** means those Bonds issued to pay the cost of completing any project financed by the issuance of Bonds and meeting the requirements of Section 5.04 of this Resolution.

**“Defeasance Obligations”** means, to the extent permitted by law, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or “stripped” interest payment obligations of debt obligations of the Resolution Funding Corporation.

**“Director”** means the Director of the Division of Bond Finance and shall include any Assistant Secretary to whom the Director delegates authority.

**“Division of Bond Finance”** means the Division of Bond Finance of the State Board of Administration of Florida.

**“Fiscal Year”** means the period beginning with and including July 1 of each year and ending with and including the next June 30.

**“Governing Board”** means the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance.

**“Interest Payment Date”** means, for each Series of Bonds, the dates of each Fiscal Year on which interest on the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division of Bond Finance.

**“Maximum Annual Debt Service”** means, at any time, the maximum remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be), required to be deposited into the Sinking Fund during the then current or any succeeding Fiscal Year. For the purpose of calculating the deposits to be made into a subaccount in the Reserve Account, the Maximum Annual Debt Service shall mean, at any time, the maximum remaining amount, if any, required to be deposited in the then current or any succeeding Fiscal Year into the Sinking Fund with respect to the Bonds for which such subaccount has been established. In the calculation of Maximum Annual Debt Service, any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year, excluding the Amortization Installment due in the year of maturity, shall not be included as part of the Amortization Installment in determining the Maximum Annual Debt Service for that Fiscal Year.

**“Outstanding”** means, as of any date of determination, all Bonds theretofore authenticated and delivered except:

(i) Bonds theretofore canceled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided herein;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser;

(iv) For purposes of any consent or other action to be taken hereunder by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division of Bond Finance or the Board of Governors; and

(v) Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount of such payment has been reimbursed to the issuer of such Bond Insurance Policy (or monies have been deposited to defease such payment).

**“Pledged Revenues”** means Activity and Service Fees.

**“Principal Payment Date”** means, for each Series of Bonds, the dates during each Fiscal Year on which principal of the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division of Bond Finance.

**“Project Costs”** means the actual costs of the 2012 Project or any project financed through the issuance of Additional Bonds, including costs of site acquisition, permits, design and construction; materials, labor, furnishings, equipment and apparatus; sitework and landscaping; interest on the Bonds for a reasonable period after the date of delivery thereof, if necessary; an amount sufficient to establish adequate reserves; architectonic and engineering fees; legal fees; reimbursement for prior authorized expenditures; and fees and expenses of the Division of Bond Finance, the Board of Administration, the University, or the Board of Governors necessary for the construction and placing in operation of the 2012 Project, or any future project, and the financing thereof.

**“Rating Agency”** means a nationally recognized bond rating agency.

**“Rebate Amount”** means the excess of the amount earned on all nonpurpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on the Bonds, plus any income attributable to such excess.

**“Rebate Fund”** means the Rebate Fund created and established pursuant to Section 6.03 of this Resolution.

**“Record Date”** means with respect to each Series of Bonds, the 15th day of the calendar month next preceding the month of an Interest Payment Date or Principal Payment Date. With respect to redemption of Bonds prior to maturity, the record date shall be the date 45 days prior to the date fixed for redemption.

**“Registered Owner”** means any person who shall be the registered owner of any Bonds.

**“Reserve Account”** means the account within the Sinking Fund created pursuant to Section 4.02(A)(1)(c) of this Resolution and shall include any subaccounts established for one or more Series of Bonds.

**“Reserve Account Credit Facility”** means a Reserve Account Insurance Policy, Reserve Account Letter of Credit or other comparable insurance or financial product, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. Such Reserve Account Credit Facility shall be issued by a provider whose credit facility results in a rating of municipal securities secured thereby in one of the two highest full rating categories of a Rating Agency.

**“Reserve Account Insurance Policy”** means the insurance policy, surety bond or other acceptable evidence of insurance, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

**“Reserve Account Letter of Credit”** means the irrevocable, transferable letter of credit, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

**“Reserve Requirement”** means, as of any date of calculation for a particular debt service reserve subaccount, an amount determined pursuant to resolution of the Governing Board, which amount shall not exceed the lesser of (1) the Maximum Annual Debt Service on the Bonds secured by such subaccount, (2) 125% of the average annual debt service of the Bonds secured by such subaccount for the then current and succeeding Fiscal Years, (3) 10% of the par amount of the Bonds secured by such subaccount, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations and applicable to the Bonds secured by such subaccount under the Code.

**“Resolution”** means this resolution adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance, as amended and supplemented from time to time.

**“Revenue Fund”** means the University of Florida Activity and Service Fees Revenue Fund created and established pursuant to Section 4.02 of this Resolution.

**“Serial Bonds”** means the Bonds of a Series which shall be stated to mature in periodic installments.

**“Series”** or **“Series of Bonds”** means all of the Bonds authenticated and delivered on original issuance pursuant to this Resolution or any supplemental resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II hereof, regardless of variations in maturity, interest rate or other provisions.

**“Sinking Fund”** means the University of Florida J. Wayne Reitz Union Sinking Fund created and established pursuant to Section 4.02(A)(1)(a) of this Resolution.

**“State”** means the State of Florida.

**“Term Bonds”** means the Bonds of a Series which shall be stated to mature on one date and for the amortization of which payments are required to be made into the Sinking Fund, hereinafter created, as may be determined pursuant to a subsequent resolution of the Division of Bond Finance.

**“Union”** means the J. Wayne Reitz Union on the main campus of the University.

**“University”** means the University of Florida. Where the context so requires, words importing singular number shall include the plural number in each case and vice versa, words importing persons shall include firms and corporations, and the masculine includes the feminine and vice versa.

**SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT.** In consideration of the acceptance of the Bonds by those who shall be Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract among the Division of Bond Finance, the Board of Governors, the University and such Registered Owners. The covenants and agreements to be performed by the Board of Governors and the University shall be for the equal benefit, protection, and security of the Registered Owners of any and all of the Bonds, as defined herein, all of which shall be of equal rank and without preference, priority, or distinction as to any of such Bonds over any other thereof, except as expressly provided therein and herein.

## **ARTICLE II AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, TRANSFER AND ISSUANCE OF BONDS**

**SECTION 2.01. AUTHORIZATION OF 2012 BONDS.** Subject and pursuant to the provisions of this Resolution, fully registered revenue bonds of the Board of Governors to be known as “State of Florida, Board of Governors, University of Florida Student Activity Revenue Bonds, Series 2012”(or such other designation as may be determined by the Director), are hereby authorized to be issued by the Division of Bond Finance in an aggregate principal amount not exceeding \$50,000,000, for the purpose of financing all or a portion of the cost of the 2012 Project. Such bonds may be sold and issued in one or more series, and in combination with other University of Florida Student Activity Revenue Bonds; provided that the actual designation of any series of such bonds, whether sold in one or more than one series (including a change of year designation, if desirable), and whether such bonds or any portion thereof are to be taxable or tax-exempt, shall be determined by the Director of the Division of Bond Finance.

**SECTION 2.02. DESCRIPTION OF BONDS.** The Bonds shall be issued in fully registered form without coupons; shall be dated as determined pursuant to a subsequent resolution of the Division of Bond Finance; shall be numbered consecutively from one upward within each series and shall be in the denomination of \$1,000 each or any integral multiples thereof; shall bear interest at not exceeding the maximum rate permitted by law, payable on each Interest Payment Date, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof; and shall mature on such dates in such years and amounts as shall be determined pursuant to a subsequent resolution adopted by the Division of Bond Finance on or prior to the sale of the Bonds.

The Bonds may be sold at one time or in Series from time to time as the Division of Bond Finance may determine pursuant to resolution. If issued in Series, each Series shall be dated and have an identifying number or letter. All of such Bonds, when issued, will rank equally as to source and security for payment.

The principal amount of the Bonds shall be paid to the Registered Owner on the maturity date of the Bonds, unless redeemed prior thereto as determined pursuant to a subsequent resolution of the Division of Bond Finance, upon presentation and surrender of the Bonds at the corporate trust office of the Bond Registrar/Paying Agent.

Interest shall be paid on the Interest Payment Dates to the Registered Owner whose name appears on the books of the Bond Registrar/Paying Agent (the "Registered Owner") as of 5:00 p.m. (local time, New York, New York) on the Record Date next preceding such Interest Payment Date; provided, however, that if the Record Date is a Saturday, Sunday or holiday, then to the Registered Owner and at the address shown on the registration books at the close of business on the day next preceding such Record Date which is not a Saturday, Sunday or holiday. Interest on the Bonds shall be paid by check or draft mailed (or transferred by a mode at least equally as rapid as mailing) on each Interest Payment Date from the Bond Registrar/Paying Agent to the Registered Owner, or in certain cases shall be paid by wire transfer as provided pursuant to subsequent resolution of the Division of Bond Finance, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof.

**SECTION 2.03. BONDS MAY BE ISSUED AS SERIAL BONDS, TERM BONDS, ETC.** The Bonds may be issued as, or as a combination of, Serial Bonds, Term Bonds, Capital Appreciation Bonds or such other type of bonds as shall be determined pursuant to a subsequent resolution of the Division of Bond Finance.

**SECTION 2.04. PRIOR REDEMPTION OF THE BONDS.** The Bonds of each Series may be made redeemable in such manner and upon such terms and conditions as determined pursuant to subsequent resolution adopted by the Governing Board prior to the sale of such Series of Bonds.

Unless waived by any Registered Owner of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed to each Registered Owner of record as of the Record Date, of Bonds to be redeemed, by first class mail (postage prepaid), or other method at least as fast as first class mail, at least thirty days prior to the date of redemption. In lieu of mailing the notice of redemption, the Bond Registrar/Paying Agent may elect to provide such notice by electronic means to any Registered Owner who has consented to such method of receiving notices. Such notice of redemption shall specify the CUSIP number and the serial or other distinctive numbers or letters of the Bonds to be redeemed, if less than all, the date fixed for redemption, the redemption price thereof, and, in the case of Bonds to be redeemed in part only, the principal amount thereof to be redeemed. Failure to give any such notice by mailing (or other approved method) to any Registered Owner of Bonds, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bond or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided above shall be conclusively presumed to have been given, whether or not the Registered Owner of such Bond receives such notice.

The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any Bonds selected for redemption during a period beginning at the opening of business on the Record Date applicable to such redemption and ending on the date fixed for redemption.

Notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been given and moneys for payment of the redemption price being held in separate accounts by an escrow agent, the Board of Administration, or the Bond Registrar/Paying Agent, in trust for the Registered Owners of the Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be Outstanding under the provisions of this Resolution and shall not be entitled to any lien, benefit or security under this Resolution, and the Registered Owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof from the moneys held in trust for such purpose and, to the extent provided herein to receive Bonds for any unredeemed portion of the Bonds. Bonds redeemed prior to maturity shall be duly canceled by the Bond Registrar/Paying Agent and shall not be reissued.

In addition to the foregoing notice, further notice shall be given by the Bond Registrar/Paying Agent as set out below, but no defect in said further notice nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

(a) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the date of issue of the Bonds as originally issued; (ii) the rate of interest borne by each Bond being redeemed; (iii) the maturity date of each Bond being redeemed; (iv) the date of the official notice of redemption; (v) the name and address of the Bond Registrar/Paying Agent; and (vi) any other descriptive information needed to identify accurately the Bonds being redeemed.

(b) Each further notice of redemption shall be sent at least thirty-five days before the redemption date by certified mail, overnight delivery service, electronic mail or facsimile to registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(c) Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying the Bonds redeemed with the proceeds of such check or other transfer.

In case part but not all of an Outstanding Bond shall be selected for redemption, the Registered Owner thereof shall present and surrender such Bond to the Bond Registrar/Paying Agent for payment of the principal amount thereof so called for redemption, and the Bond Registrar/Paying Agent shall execute and deliver to or upon the order of such Registered Owner, without charge therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds fully registered as to principal and interest.

**SECTION 2.05. EXECUTION OF BONDS.** The Bonds shall be executed in the name of the Board of Governors by its Chairman and attested to by its Vice-Chairman, or such other member of the Board of Governors as may be designated pursuant to subsequent resolution of the Governing Board of the Division of Bond Finance, and the corporate seal of the Board of Governors or a facsimile thereof shall be affixed thereto or reproduced thereon. The Bond Registrar/Paying Agent's certificate of authentication shall appear on the Bonds, signed by an authorized signatory of said Bond Registrar/Paying Agent. Any of the above signatures may be a facsimile signature imprinted or reproduced on the Bonds, provided that at least one signature required shall be manually subscribed. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Board of Governors before the Bonds so signed and sealed shall have been actually sold and delivered, the Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Board of Governors by such person as to the actual time of the execution of such Bond shall hold the proper office, although at the date of such Bond, such person may not have held such office or may not have been so authorized.

A certificate as to the approval of the issuance of the Bonds pursuant to the provisions of the State Bond Act, shall be executed by the facsimile signature of the Secretary or an Assistant Secretary of the Governing Board.

**SECTION 2.06. NEGOTIABILITY.** The Bonds shall have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Law of the State of Florida. The original Registered Owner and each successive Registered Owner of any of the Bonds shall be conclusively deemed by the acceptance thereof to have agreed that the Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Law of the State of Florida.

**SECTION 2.07. REGISTRATION AND TRANSFER.** The Bonds shall be issued only as fully registered bonds without coupons. The Bond Registrar/Paying Agent shall be responsible for maintaining the books for the registration of and for the transfer of the Bonds in compliance with its agreement with the State.

Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Bond Registrar/Paying Agent shall deliver in the name of the transferee or transferees a fully registered Bond or Bonds of authorized denominations of the same maturity for the aggregate principal amount which the Registered

Owner is entitled to receive. The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any Bonds on a Record Date.

All Bonds presented for transfer, exchange, redemption or payment shall be accompanied (if so required by the Division of Bond Finance or the Bond Registrar/Paying Agent) by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Division of Bond Finance and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or by his duly authorized attorney.

Neither the Division of Bond Finance nor the Bond Registrar/Paying Agent may charge the Registered Owner or his transferee for any expenses incurred in making any exchange or transfer of the Bonds. However, the Division of Bond Finance and the Bond Registrar/Paying Agent may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses shall be paid before any such new Bond shall be delivered.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the Board of Governors evidencing the same debt as the Bonds surrendered, shall be secured by this Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The Board of Governors and the Bond Registrar/Paying Agent may treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.

Notwithstanding the foregoing provisions of this section, the Division of Bond Finance reserves the right, on or prior to the delivery of the Bonds, to amend or modify the foregoing provisions relating to registration of the Bonds in order to comply with all applicable laws, rules, and regulations of the United States and the State of Florida relating thereto.

**SECTION 2.08. AUTHENTICATION.** Unless otherwise provided by subsequent resolutions, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond substantially in the form herein set forth shall have been duly executed by the manual signature of the Bond Registrar/Paying Agent, and such executed certificate of the Bond Registrar/Paying Agent upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Resolution. The Bond Registrar/Paying Agent's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Bond Registrar/Paying Agent, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereinafter.

**SECTION 2.09. DISPOSITION OF BONDS PAID OR EXCHANGED.** Whenever any Bond shall be delivered to the Bond Registrar/Paying Agent for cancellation, upon payment of the principal amount thereof or for replacement or transfer or exchange, such Bond shall either be canceled and retained by the Bond Registrar/Paying Agent for a period of time specified in writing by the Division of Bond Finance or the Board of Administration, or, at the option of the Division of Bond Finance or the Board of Administration, shall be canceled and destroyed by the Bond Registrar/Paying Agent and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Division of Bond Finance or the Board of Administration.

**SECTION 2.10. BONDS MUTILATED, DESTROYED, STOLEN OR LOST.** In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Division of Bond Finance may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner furnishing the Division of Bond Finance proof of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Division of Bond Finance may prescribe and paying such expense as the Division of Bond Finance may incur. All Bonds so surrendered shall be canceled by the Bond Registrar/Paying Agent. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Division of Bond Finance may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bond issued pursuant to this section shall constitute original, additional, contractual obligations on the part of the Board of Governors, whether or not the lost, stolen or destroyed Bond be at any time found

by anyone and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien, source and security for payment, pursuant to this Resolution from the Pledged Revenues.

**SECTION 2.11. FORM OF BONDS.** (A) Notwithstanding anything to the contrary in this Resolution, the Bonds may be issued in book-entry only form utilizing the services of a Securities Depository (as used herein, "Securities Depository" means The Depository Trust Company, New York, New York, or its nominees, successors and assigns).

So long as a book-entry only system of evidence of transfer of ownership of all the Bonds is maintained in accordance herewith, any provision of the Resolution relating to the delivery of physical bond certificates shall be inapplicable, and the Resolution shall be deemed to give full effect to such book-entry system.

If the Bonds are issued in book-entry only form:

(1) The Bonds shall be issued in the name of the Securities Depository as Registered Owner of the Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the Bonds will be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository ("Participants" include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, as well other organizations that clear through or maintain a custodial relationship with such organizations, either directly or indirectly).

(3) Each Participant shall be credited in the records of the Securities Depository with the amount of such Participant's interest in the Bonds. Beneficial ownership interests in the Bonds may be purchased by or through Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the Participant from which such Beneficial Owner purchased its Bonds. Transfers of ownership interests in the Bonds shall be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(4) Unless otherwise provided herein, the Division of Bond Finance, the Board of Governors, the Board of Administration and the Bond Registrar/Paying Agent (as used in this section, the "State and its agents") shall treat the Securities Depository as the sole and exclusive owner of the Bonds registered in its name for the purposes of

(a) payment of the principal of, premium, if any, and interest on the Bonds or portion thereof to be redeemed or purchased. Payments made to the Securities Depository of principal, premium, and interest shall be valid and effective to fully satisfy and discharge the Board of Governors' obligations to the extent of the sums so paid;

(b) giving any notice permitted or required to be given to Registered Owners under the Resolution; and

(c) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The State and its agents may rely conclusively upon

(i) a certificate of the Securities Depository as to the identity of the Participants with respect to the Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

(5) The State and its agents shall have no responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Bond Register, with respect to

(a) the accuracy of any records maintained by the Securities Depository or any Participant;

(b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bond;

(c) the delivery of any notice by the Securities Depository or any Participant;

(d) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or

(e) any consent given or any other action taken by the Securities Depository or any Participant.

(6) The requirements in the Resolution of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Bonds shall, while the Bonds are in book-entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

(B) The Division of Bond Finance may discontinue the book-entry system with the then-current securities depository, subject to the terms of its agreement with such securities depository. In this event, the Division of Bond Finance shall either

(1) identify another qualified securities depository or

(2) prepare and deliver replacement Bonds in the form of fully registered bonds to each Beneficial Owner.

### **ARTICLE III APPLICATION OF PROCEEDS**

**SECTION 3.01. CONSTRUCTION OF THE 2012 PROJECT.** The Board of Governors is authorized to construct the 2012 Project from the proceeds derived from the sale of the Bonds and other legally available funds, subject to the provisions of this Resolution and the applicable laws of the State.

**SECTION 3.02. APPLICATION OF BOND PROCEEDS.** Upon receipt of the proceeds of the sale of the Bonds, the Division of Bond Finance shall transfer and apply such proceeds as follows:

(A) The amount necessary to pay all costs and expenses of the Division of Bond Finance (to the extent permitted by the Code) in connection with the preparation, issuance, and sale of the Bonds, including a reasonable charge for the services of the Division of Bond Finance for its fiscal services and for arbitrage rebate compliance program set-up, shall be transferred to the Division of Bond Finance and deposited in the Bond Fee Trust Fund.

(B) Any accrued interest and capitalized interest on the Bonds shall be transferred to the Board of Administration and deposited in the Sinking Fund, and used for the payment of interest on the Bonds.

(C) An amount which, together with other moneys which may be available therefor and on deposit in the Reserve Account, is necessary to fund the Reserve Requirement shall be transferred to the Board of Administration and deposited in the applicable subaccount in the Reserve Account within the Sinking Fund. Alternatively, the Division of Bond Finance, as provided in Section 4.02 of this Resolution, may elect at any time to provide in lieu of all or a portion of such funds a Reserve Account Credit Facility in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the applicable subaccount in the Reserve Account.

(D) After making the transfers provided for in (A) through (C) above, the balance of the proceeds of the Bonds shall be transferred to and deposited into the 2012 Project Construction Fund, which is hereby created in the State Treasury.

(E) Any balance of the proceeds of the Bonds after providing for the requirements of subsections (A) through (D) above shall (except as provided below) be transferred to the Sinking Fund and used for the purposes set forth therein.



Any unexpended balance remaining in the 2012 Project Construction Fund, after a consulting architect shall certify that the 2012 Project has been completed and all costs thereof paid or payment provided for, shall be either (i) applied to fixed capital outlay projects of the Union or (ii) deposited in the Sinking Fund, hereinafter created, for the purposes thereof, unless otherwise requested by the Board of Governors, provided that such application will not adversely affect the exemption from Federal income taxation of interest on any of the Bonds.

In addition to the aforementioned proceeds of the Bonds, the Board of Governors covenants that it will deposit into the 2012 Project Construction Fund additional funds legally available for the purposes of such Fund which, together with the proceeds of the Bonds, will be sufficient to finance the total 2012 Project Costs. Any such additional funds, other than the proceeds of the Bonds or Completion Bonds, shall be derived from sources and in a manner which will not jeopardize the security of the Bonds issued pursuant to this Resolution.

All moneys in the 2012 Project Construction Fund shall constitute a trust fund for such purposes and there is hereby created a lien upon such funds in favor of the Registered Owners of the Bonds issued pursuant to this Resolution, until such funds are applied as provided herein, except to the extent such moneys are required for the payment of any Rebate Amount, and all moneys in such funds shall be continuously secured in the manner now provided by the laws of the State for securing deposits of state funds.

**SECTION 3.03. INVESTMENT OF 2012 PROJECT CONSTRUCTION FUND.** Any moneys in the 2012 Construction Fund not immediately needed for the purposes provided in this Resolution, may be temporarily invested and reinvested as provided in Section 17.57, Florida Statutes.

#### **ARTICLE IV APPLICATION AND ADMINISTRATION OF PLEGDED REVENUES**

**SECTION 4.01. BONDS SECURED BY PLEDGED REVENUES.** (A) The payment of principal of and interest on the Bonds shall be secured forthwith equally and ratably by a valid and enforceable senior lien on the Pledged Revenues to be received under this Resolution as provided for in Section 6.01 of this Resolution, and such Pledged Revenues, except as may be required for payment of Rebate Amounts, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds, as the same become due.

(B) The Bonds shall not be or constitute an indebtedness of the State, or any political subdivision thereof or any instrumentality thereof, but shall be payable solely from the Pledged Revenues, as provided herein. No Registered Owner or Registered Owners of the Bonds shall ever have the right to compel the exercise of the taxing power of the State, or any political subdivision thereof, to pay such Bonds or the interest thereon, or be entitled to payment of such principal and interest from any other funds except such payments consisting of the Pledged Revenues, in the manner provided herein.

**SECTION 4.02. APPLICATION OF ACTIVITY AND SERVICE FEES.** (A) Upon collection, the Activity and Service Fees shall be deposited by the University into a separate fund, in a bank approved by the Board of Trustees, known as the University of Florida Activity and Service Fee Revenue Fund (the "Revenue Fund") which is hereby created. Said fund constitutes a trust fund for the purposes provided in this Resolution, and shall be kept separate and distinct from all other funds of the University and the Board of Governors and used only for the purposes and in the manner provided in this Resolution. All revenues on deposit at any time in the Revenue Fund shall be applied only in the following manner and order of priority:

(1) first, a sufficient amount of moneys shall be transferred no later than thirty days before an Interest Payment Date and/or a Principal Payment Date, to the Board of Administration to be used as follows:

(a) for deposit into the Sinking Fund, which is hereby created, an amount sufficient to pay the next installment of principal and/or interest to become due, including Amortization Installments;

(b) for payment of the Administrative Expenses;

(c) for the maintenance and establishment of the Reserve Account, or subaccounts therein, which is hereby created in the Sinking Fund, in an amount which, together with other moneys available for such purposes, equals the Reserve Requirement.

The moneys in a subaccount in the Reserve Account shall be used for the payments provided for in (a) above when the other moneys in the Sinking Fund are insufficient therefor. Any withdrawals from a subaccount in the Reserve Account shall be restored from the first moneys available therefor in the Sinking Fund after the required payments under (a) above have been made or provided for. Any unused portion of the moneys in a subaccount in the Reserve Account may be used by the Board of Governors to reduce the final installments of the Annual Debt Service Requirement becoming due on Bonds secured by such subaccount.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Board of Governors may at any time cause to be deposited into one or more subaccounts in the Reserve Account, one or more Reserve Account Credit Facilities for the benefit of the Registered Owners for which each subaccount has been established, in an amount which, together with sums on deposit, equals the Reserve Requirement. In no event shall the use of such Reserve Account Credit Facilities be permitted if such use would cause, at the time of acquisition of such Reserve Account Credit Facility, an impairment in any existing rating on the Bonds or any Series of Bonds. The Reserve Account Credit Facilities shall be payable or available to be drawn upon, as the case may be, on or before any Interest Payment Date or Principal Payment Date on which a deficiency exists which cannot be cured by funds in any other account held for such Bonds pursuant to this Resolution and available for such purpose. If more than one Reserve Account Credit Facility is deposited into a subaccount in the Reserve Account, each Reserve Account Credit Facility shall be drawn upon in a proportion equal to its relative share of the amounts in such subaccount in the Reserve Account. If a disbursement is made under the Reserve Account Credit Facility, the Board of Governors shall be obligated, from the first Pledged Revenues available, to either reinstate such Reserve Account Credit Facility immediately following such disbursement to the amount required to be maintained in the applicable subaccount in the Reserve Account or to deposit into the applicable subaccount in the Reserve Account from the Pledged Revenues, as herein provided, funds in the amount of the disbursement made under such Reserve Account Credit Facility plus any amounts required to reimburse the Reserve Account Credit Facility provider for previous disbursements made pursuant to such Reserve Account Credit Facility, or a combination of such alternatives as shall equal the amount required to be maintained. To the extent that the Board of Governors reinstates a Reserve Account Credit Facility or reimburses a Reserve Account Credit Facility provider, such reinstatement or reimbursement shall be in proportion to the amounts drawn from the various Reserve Account Credit Facilities.

The Division of Bond Finance shall cause to be established and the Board of Administration shall establish one or more specific subaccounts in the Reserve Account. Each subaccount may be established for one or more Series of Bonds. Each subaccount shall be available only to cure deficiencies in the accounts in the Sinking Fund with respect to the Series of Bonds for which such subaccount has been established, and no amounts in the other subaccounts in the Reserve Account shall be available for such purpose. Such separate subaccount shall be established and designated in the resolution authorizing such Series of Bonds. Such resolution may also specify the method of valuation of the amounts held in such separate subaccount.

Any moneys in a subaccount in the Reserve Account in excess of the amount required to be maintained therein shall, to the extent permitted by the Code, first be used to cure any deficiency in any other subaccount in the Reserve Account and then for the purposes and in the priority established by this section; and

(d) for deposit to the Rebate Fund created by Section 6.03(B) of this Resolution, an amount sufficient to pay the Rebate Amount;

(2) second, the balance of any money not needed for the payments provided in (1) above may be transferred to the University general operating fund, or may be applied for any lawful purpose.

(B) If on any payment date the Pledged Revenues are insufficient to place the required amounts in any of the funds, accounts, or subaccounts as above provided, the deficiency shall be made up in subsequent payments in addition to the payments which would otherwise be required to be made into such funds, accounts, or subaccounts on the subsequent payment dates.

(C) The Revenue Fund and the Sinking Fund shall constitute trust funds for the purposes provided herein for such funds. All of such funds shall be continuously secured in the same manner as deposits of State funds are required to be secured by the laws of the State.

(D) Except insofar as such funds may be needed for any payment required to be made by the terms of this Resolution or the Bonds, and except as otherwise provided herein, moneys in any of the funds authorized or required by this Resolution may be invested and reinvested at any time as provided by Section 17.57 or 215.47, Florida Statutes, where applicable. When so invested or reinvested, the proceeds derived from the investment or reinvestment of such obligations shall be held for and credited to the fund, account, or subaccount for which said obligations were purchased except as otherwise provided in this Resolution; provided, however, that any such obligations purchased as investments for moneys in the Sinking Fund shall mature not later than the dates upon which such moneys will be needed for the payment of maturing principal and interest to be paid from said Sinking Fund.

## **ARTICLE V ADDITIONAL BONDS; REFUNDING BONDS AND ISSUANCE OF OTHER OBLIGATIONS**

**SECTION 5.01. ISSUANCE OF ADDITIONAL BONDS.** The Division of Bond Finance is authorized to issue Additional Bonds, but only upon the following terms, restrictions and conditions:

(A) The proceeds from such Additional Bonds shall be used to acquire and construct capital additions, additional facilities or improvements to the University or to refund Outstanding Bonds.

(B) The Board of Governors shall request the issuance of such Additional Bonds.

(C) The Board of Administration shall approve the fiscal sufficiency of such Additional Bonds.

(D) Certificates shall be executed by the University, the Board of Governors or other appropriate State official setting forth:

(1) the average annual amount of Pledged Revenues from the two Fiscal Years immediately preceding the issuance of the proposed Additional Bonds, adjusted as hereinafter provided, and;

(2) the Maximum Annual Debt Service on the Bonds then Outstanding and the Additional Bonds then proposed to be issued.

(E) The Board of Governors and the University must be current in all deposits into the various funds and accounts and all payments theretofor required to have been deposited or made by either of them under the provisions of this Resolution and the Board of Governors and the University must be currently in compliance with the covenants and provisions of this Resolution and any supplemental resolution hereafter adopted for the issuance of Additional Bonds, or upon the issuance of such Additional Bonds the Board of Governors and the University will be brought into compliance with all such financial requirements, covenants and provisions.

(F) The average annual amount of Pledged Revenues for the two immediately preceding Fiscal Years adjusted as hereinafter provided, as certified by the University, the Board of Governors or other appropriate State official pursuant to (D)(1) above, shall be equal to at least one hundred twenty percent (120%) of the Maximum Annual Debt Service on (i) the Bonds then Outstanding, and (ii) the Additional Bonds then proposed to be issued;

(G) The Pledged Revenues calculated pursuant to paragraph (D)(1) above may be adjusted for either or both of the following factors at the option of the Board of Governors as follows: (1) If the Board of Governors or the University, prior to the issuance of the proposed Additional Bonds, shall have increased the Activity and Service Fees, the average annual amount of Pledged Revenues for the two immediately preceding Fiscal Years prior to the issuance of said Additional Bonds, as certified by the Board of Governors, the University or other appropriate State official, shall be adjusted to show the Pledged Revenues which would have been collected if such Activity and Service Fees had been in effect during all of such two preceding Fiscal Years; (2) To reflect the most current student population at the University to show the Pledged Revenues which would have been collected if such student population had been enrolled during all of such two preceding Fiscal Years.

**SECTION 5.02. REFUNDING BONDS.** The Bonds originally issued pursuant to this Resolution then Outstanding, together with all Additional Bonds issued and then Outstanding, may be refunded as a whole or in part. If the Annual Debt Service Requirement of the refunding Bonds in each Fiscal Year is equal to or less than the corresponding Annual Debt Service Requirement of the refunded Bonds, then the provisions of subsections 5.01 (D) and (F) of this Resolution shall not apply to the issuance of the refunding Bonds.

**SECTION 5.03. ISSUANCE OF OTHER OBLIGATIONS OR CREATION OF ENCUMBRANCES.** The Division of Bond Finance and the Board of Governors covenant that they will not issue any other obligations, except Additional Bonds provided for in Section 5.01 hereof, refunding Bonds provided for in Section 5.02 hereof, or Completion Bonds provided for in Section 5.04 hereof, payable from the Pledged Revenues nor voluntarily create or cause to be created any other debt, lien, pledge, assignment, encumbrance or other charge, having priority to or being on a parity with the lien of the Bonds, upon the Pledged Revenues securing the Bonds provided for in this Resolution. Any such other obligations hereafter issued by the Board of Governors, in addition to the Bonds and parity refunding Bonds or Completion Bonds provided for in Section 5.01, 5.02 or 5.04 hereof, shall contain an express statement that such obligations are junior and subordinate to the Bonds, as to lien on and source and security for payment from such Pledged Revenues.

**SECTION 5.04. COMPLETION BONDS.** The Division of Bond Finance may issue Completion Bonds. The Board of Governors and the Division of Bond Finance need not comply with Section 5.01 of this Resolution in the issuance of Completion Bonds, provided that the net proceeds of such Completion Bonds available for deposit into the construction fund for such costs shall be equal to or less than 20% of the original estimated cost of the project on the delivery date of the original Series of Bonds issued to finance the project for which the Completion Bonds are being issued.

**SECTION 5.05. NO ACCELERATION.** The Bonds shall not be accelerated on account of any default on any payments required under the Resolution.

## **ARTICLE VI COVENANTS**

**SECTION 6.01. PLEDGE OF PLEDGED REVENUES.** The Board of Governors hereby covenants and agrees with the Registered Owners of Bonds that, so long as any of the Bonds, or interest thereon, are Outstanding and unpaid, all of the Pledged Revenues provided for in this Resolution shall be pledged to the payment of the principal of and interest on the Bonds and the payment of such other amounts as are provided for in this Resolution, in the manner provided in this Resolution, and the Registered Owners of the Bonds shall have a valid and enforceable senior lien on such Pledged Revenues in the manner provided herein.

**SECTION 6.02. PLEDGED REVENUE COVENANTS.** The Board of Governors covenants:

(A) That it will, or will cause the University pursuant to Section 1010.62(2)(b), Florida Statutes, to punctually apply the Pledged Revenues as provided for in Section 6.01 of this Resolution in the manner and at the times provided in this Resolution, that the Pledged Revenues will be applied in a manner that assures the availability of sufficient moneys for the full and timely payment of debt service on the Bonds and that it will duly and punctually perform and carry out all the covenants of the Board of Governors made herein and the duties imposed upon the Board of Governors by this Resolution.

(B) That in preparing, approving and adopting any budget controlling or providing for the expenditures of funds for each budget period it will allocate, allot and approve, or will cause the University pursuant to Section 1010.62(2)(b), Florida Statutes, to allocate, allot and approve from the Activity and Service Fees and other available funds the amounts sufficient to apply the Pledged Revenues as provided in this Resolution.

(C) That it will, or will cause the University pursuant to Section 1010.62(2)(b), Florida Statutes, from time to time recommend, fix and include in budgets such revisions to the amounts of Activity and Service Fees which will produce sums sufficient to pay, when due, any amounts required to be paid under this Resolution.

(D) That it will collect, or will cause the University pursuant to Section 1010.62(2)(b), Florida Statutes, to continue to collect the Activity and Service Fees at the rates which are in effect at any particular time.

**SECTION 6.03. COMPLIANCE WITH TAX REQUIREMENTS.** (A) In addition to any other requirement contained in this Resolution, the Division of Bond Finance, the Board of Governors, and the Board of Administration hereby covenant and agree, for the benefit of the Registered Owners from time to time of the Bonds issued subject to the provisions of the Code, that each will comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Code as shall be set forth in the non-arbitrage certificate of the Board of Governors dated and delivered on the date of delivery of each such Series of Bonds. Specifically, without intending to limit in any way the generality of the foregoing, the Division of Bond Finance and Board of Governors covenant and agree:

- (1) to pay or cause to be paid to the United States of America from the Pledged Revenues and any other legally available funds, at the times required pursuant to Section 148(f) of the Code, the Rebate Amount;
- (2) to maintain and retain or cause to be maintained and retained all records pertaining to and to be responsible for making or causing to be made all determinations and calculations of the Rebate Amount and required payments of the Rebate Amount as shall be necessary to comply with the Code;
- (3) to refrain from using proceeds from the Bonds in a manner that might cause any of the Bonds to be classified as private activity bonds under Section 141(a) of the Code; and
- (4) to refrain from taking any action that would cause any of the Bonds to become arbitrage bonds under Section 148 of the Code.

The Board of Governors, the Division of Bond Finance and the Board of Administration understand that the foregoing covenants impose continuing obligations that will exist throughout the term of the issue to comply with the requirements of the Code.

(B) The Division of Bond Finance and Board of Governors covenant and agree that they shall maintain and retain or cause to be maintained and retained all records pertaining to and they shall be responsible for making and having made all determinations and calculations of the Rebate Amount for each Series of Bonds issued hereunder for each Bond Year within 60 days after the end of such Bond Year and within 60 days after the final maturity of each such Series of Bonds. On or before the expiration of each such 60 day period, the Board of Governors shall deposit or direct the Board of Administration to deposit into the Rebate Fund which is hereby created and established in the accounts of the Board of Administration, from investment earnings or moneys deposited into the other funds and accounts created hereunder, or from any other legally available funds of the Board of Governors, an amount equal to the Rebate Amount for such Bond Year. The Board of Administration shall use such moneys deposited in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by subsection (A) of this section, and as directed by the Board of Governors, which payments shall be made in installments, commencing not more than 60 days after the end of the fifth Bond Year and with subsequent payments to be made not later than five years after the preceding payment was due except that the final payment shall be made within 60 days after the final maturity of the last obligation of the Series of Bonds issued hereunder. In complying with the foregoing, the Division of Bond Finance and the Board of Governors may rely upon any instructions or opinions from a nationally recognized bond/tax counsel.

Notwithstanding anything in this Resolution to the contrary, to the extent moneys on deposit in the Rebate Fund are insufficient for the purpose of paying the Rebate Amount and other funds of the Board of Governors are not available to pay the Rebate Amount, then the Board of Administration shall pay the Rebate Amount first from Pledged Revenues and, to the extent the Pledged Revenues be insufficient to pay the Rebate Amount, then from moneys on deposit in any of the funds and accounts created hereunder.

If at any time the Division of Bond Finance or the Board of Governors determines that the amount of money on deposit in the Rebate Fund is in excess of the Rebate Amount, the Division of Bond Finance or the Board of Governors may direct the Board of Administration to transfer the amount of money in excess of the Rebate Amount to the University, for deposit into (i) the fund(s) or account(s) created hereunder to which such amount of money is attributable, or (ii) the Revenue Fund.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder and after payment in full to the United States of any Rebate Amount in accordance with the terms hereof, such amounts shall be paid over to the University and may be used for other purposes authorized by law.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Board of Governors and shall be subject to a lien in favor of the Registered Owners, but only to secure payment of the Rebate Amount, and the moneys in the Rebate Fund shall be available for use only as herein provided.

The Division of Bond Finance, the Board of Administration, and the Board of Governors shall not be required to continue to comply with the requirements of this section in the event that the Division of Bond Finance and the Board of Administration receive an opinion of nationally recognized bond/tax counsel that (1) such compliance is no longer required in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds or (2) compliance with some other requirement will comply with the provisions of the Code in respect of arbitrage rebate, or in the event that any other agency is subsequently designated by proper authority to comply with the requirements of this section.

**SECTION 6.04. ANNUAL FINANCIAL STATEMENT.** (A) Within nine months after the end of each Fiscal Year, the Foundation will be required to prepare a financial statement for the preceding Fiscal Year, reflecting in reasonable detail the financial condition and record of operation of the Facilities, the Foundation and other Pledged Revenue sources, including particularly the rates charged for the use of, and the insurance on, the Facilities and the status of the several accounts and funds established pursuant to this Resolution.

(B) Should the Foundation fail to comply with subsection (A) of this section, upon request of at least five percent of the Registered Owners an audit shall be completed by a certified public accountant or firm of certified public accountants. The cost of this audit shall be borne by the Foundation.

**SECTION 6.05. CONTINUING DISCLOSURE.** (A) In order to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Foundation shall be required to provide such information as may be required, from time to time, under such rule.

(B) The Division of Bond Finance is authorized and directed to cause to be executed and delivered by the Board, the University or the Foundation, as applicable, any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission.

## **ARTICLE VII REMEDIES**

**SECTION 7.01. ENFORCEABILITY BY REGISTERED OWNERS.** (A) This Resolution, including the pledge of the Pledged Revenues, shall be deemed to have been made for the benefit of the Registered Owners from time to time of the Bonds. Such pledge and all the provisions of this Resolution shall be enforceable in any court of competent jurisdiction by any Registered Owner or Registered Owners of such Bonds, against either the Board of Governors or the Board of Administration or any other agency of the State, or instrumentality thereof, having any duties concerning collection, administration and disposition of the Pledged Revenues. The Board of Governors does hereby consent to the bringing of any proceedings in any court of competent jurisdiction by any Registered Owner or Registered Owners of the Bonds for the enforcement of all provisions of this Resolution and does hereby waive, to the extent permitted by law, any privilege or immunity from suit which it may now or hereafter have as an agency of the State. However, no covenant or agreement contained in this Resolution or any Bond issued pursuant hereto shall be deemed to be the covenant or agreement of any officer or employee of the State in such person's individual capacity, and neither the officers nor employees of the State nor any official executing any of the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

(B) Any Registered Owner of the Bonds, or any trustee acting for the Registered Owner of such Bonds, may by civil action in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution, and by any applicable Statutes, to be performed by the Division of Bond Finance, the Board of Governors, the University, or the Board of Administration, or by any officer thereof, including the payment of the Pledged Revenues payable under this Resolution. Other

than as specifically provided herein, nothing herein shall be construed to grant to any Registered Owner of the Bonds any lien on the Union or any other facility or funds of the University, or the Board of Governors, or the Division of Bond Finance.

(C) For purposes of exercising remedies pursuant to this section, the issuer of a Bond Insurance Policy shall be deemed the sole Registered Owner of Bonds it has insured, provided that the issuer of such Bond Insurance Policy has not failed to comply with its payment obligations under the Bond Insurance Policy and the ratings on the insured Bonds, based on the Bond Insurance Policy, are no lower than the “A” category by each Rating Agency which has rated such Bonds, including any rating modifiers.

## **ARTICLE VIII MISCELLANEOUS**

**SECTION 8.01. MODIFICATION OR AMENDMENT.** Except as otherwise provided in the second and third paragraphs of this section, no material modification or amendment of this Resolution, or of any resolution amendatory thereof or supplemental thereto, may be made without the consent in writing of (i) the Registered Owners of more than fifty percent in principal amount of the Bonds then Outstanding or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the Registered Owners of more than fifty percent in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or affecting the promise to pay the interest on and principal of the Bonds, as the same mature or become due, or reduce the percentage of Registered Owners of Bonds required above for such modification or amendments, without the consent of the Registered Owners of all the Bonds.

For purposes of this section, except where the consent of all Registered Owners of a Series of Bonds is required, to the extent any Series of Bonds is insured by a Bond Insurance Policy and such Series of Bonds is then rated in as high a rating category as the rating category in which such Series of Bonds was rated at the time of initial delivery thereof by a Rating Agency, then the consent of the issuer of the Bond Insurance Policy shall constitute the consent of the Registered Owners of such Series.

The Division of Bond Finance may amend, change, modify and alter this Resolution without the consent of the Registered Owners of Bonds, (i) to cure any defect, omission, conflict, or ambiguity in this Resolution or between the terms and provisions hereof and any other document executed or delivered herewith, (ii) to provide other changes including such changes as may be necessary in order to adjust the terms hereof so as to facilitate the issuance of various types of Bonds including, but not limited to, Capital Appreciation Bonds, and any other Bonds which may be issued hereunder, which will not materially adversely affect the interest of such Registered Owner of Bonds, (iii) to provide for the issuance of Bonds in coupon form if, in the opinion of a nationally recognized bond/tax counsel, such issuance will not affect the exemption from federal income taxation of interest on the Bonds, (iv) to obtain credit enhancements or a higher rating in one of the three highest full rating categories of a Rating Agency, (v) to add to the covenants and agreements of the Division of Bond Finance, the Board of Administration or the Board of Governors in this Resolution, other covenants and agreements to be observed by the Division of Bond Finance, the Board of Administration or the Board of Governors which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vi) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Division of Bond Finance, the Board of Administration or the Board of Governors which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vii) to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualifications of the Bonds for sale under the securities laws of any of the states of the United States of America, (viii) to enable the Division of Bond Finance, the Board of Administration and the Board of Governors to comply with their covenants, agreements and obligations under Section 6.04 of this Resolution, (ix) to specify and determine any matters and things relative to the Bonds which are not contrary to or inconsistent with this Resolution and which shall not materially adversely affect the interests of the Registered Owners, and (x) to amend or modify any provisions of this Resolution so long as such amendment or modification does not materially adversely affect the interests of the Registered Owners.

**SECTION 8.02. NONPRESENTMENT OF BONDS: FUNDS HELD FOR BONDS AFTER DUE DATE OF BONDS.** In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Board of Administration for the benefit of the Registered Owner thereof, all liability of the Board of Governors to the Registered

Owner thereof for the payment of such Bond shall forthwith cease, terminate, and be completely discharged, and thereupon it shall be the duty of the Board of Administration to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bonds, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under this Resolution or on, or with respect to, said Bond. Any such funds held by the Board of Administration for the Registered Owners of such Bonds for seven years after the principal or Accreted Value of the respective Bonds for which such funds have been so set aside has become due and payable and remaining (whether at maturity or upon redemption or otherwise) shall be subject to the laws of the State of Florida relating to disposition of unclaimed property, and unless demand for the payment of such Bonds shall have been made, the obligation thereon shall be extinguished.

**SECTION 8.03. DEFEASANCE.** The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to any of the Bonds in any one or more of the following ways:

(A) By paying the principal of and interest on such Bonds when the same shall become due and payable;  
or

(B) By depositing with the Board of Administration, certain moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor, shall be sufficient at the time of such deposit to pay when due the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof; or

(C) By depositing with the Board of Administration, moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor when invested in Defeasance Obligations, will provide moneys (principal and interest thereof at maturity) which shall be sufficient to pay the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to a date fixed for redemption or the maturity date thereof.

Upon such payment or deposit in the amount and manner provided in this section, the Bonds with respect to which payments on deposit have been made shall be deemed to be paid and shall no longer be deemed to be Outstanding for the purposes of this Resolution and all liability of the Board of Governors and Division of Bond Finance with respect to such Bonds shall cease, terminate and be completely discharged and extinguished, and the Registered Owners thereof shall be entitled to payment solely out of the moneys or securities so deposited.

(D) Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any Series of Bonds, any portion of any Series of Bonds, any maturity or maturities of any Series of Bonds, any portion of a maturity of any Series of Bonds or any combination thereof.

(E) If any portion of the moneys deposited for the payment of the principal of and redemption premium, if any, and interest on any portion of Bonds is not required for such purpose, the Board of Governors or the Board of Administration may use the amount of such excess which is not otherwise obligated under this Resolution, for any lawful purpose, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

(F) Nothing herein shall be deemed to require the Board of Governors or Division of Bond Finance to call any of the Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Board of Governors or Division of Bond Finance in determining whether to exercise any such option for early redemption.

(G) Notwithstanding the foregoing, the covenants, liens and pledges entered into, created or imposed pursuant to this Resolution shall not be discharged and satisfied with respect to any of the Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount so paid has not been reimbursed to the issuer of such Bond Insurance Policy (or monies have not been deposited as set forth above to provide for payment of such amounts). The bond insurer shall be subrogated to the rights of the Registered Owners of Bonds with respect to which it has made payments pursuant to a Bond Insurance Policy.



**SECTION 8.04. SURVIVAL OF CERTAIN PROVISIONS.** Notwithstanding the foregoing, any provisions of this Resolution which relate to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, credit against mandatory redemption requirements, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust, the calculation of the Rebate Amount and the paying of the Rebate Amount to the United States, shall remain in effect and be binding upon the Division of Bond Finance, the Board of Governors, the Bond Registrar/Paying Agent and the Registered Owners notwithstanding the release and discharge of the lien and pledge of this Resolution or any subsequent resolution. The provisions of this section shall survive the release, discharge and satisfaction of this Resolution or any subsequent resolution.

**SECTION 8.05. BOND ANTICIPATION NOTES.** Notwithstanding any other provision of this Resolution, if the Division of Bond Finance shall deem it advisable, short-term obligations (hereinafter "Notes") are hereby authorized to be issued by the Division of Bond Finance on behalf of the Board of Governors in anticipation of the sale and delivery of the Bonds. The Notes shall be payable from the proceeds received from the sale of the Bonds and, in the interim, from the Pledged Revenues. The Notes may be issued in such denomination or denominations, in the aggregate principal amount not to exceed the authorized principal amount of Bonds for the Series for which such Notes are issued, in the form, may bear interest at the lawful rate or rates payable on such dates (not to exceed five years from the date of issue) and may be subject to such conditions and terms as the Division of Bond Finance shall deem necessary or desirable in connection with such Notes, all as shall be provided by resolution of the Division of Bond Finance adopted at or before sale of the Notes, in accordance with Section 215.68(7), Florida Statutes.

**SECTION 8.06. CAPITAL APPRECIATION BONDS.** For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the amount of the Maximum Annual Debt Service, and (iii) determining the principal amount of Bonds held by the Registered Owner of a Capital Appreciation Bond for giving any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

**SECTION 8.07. TRUST FUNDS.** (A) The funds and accounts established by this Resolution and all moneys on deposit therein shall constitute trust funds for their respective purposes as provided herein. The Sinking Fund shall be held and administered by the Board of Administration, and such funds shall be fully and continuously secured in the manner provided by the laws of the State for the securing of deposits of State funds. The Registered Owners shall have a lien on moneys in the Sinking Fund, except the moneys in the Rebate Fund, until such moneys are used or applied as provided herein.

(B) The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided. Cash and investments required to be accounted for in each of the funds and accounts established by or pursuant to this Resolution may be deposited in a single bank account, provided that accounting records are maintained to reflect the moneys and investments therein and the receipts of and disbursements from such funds and accounts and the investment income earned therefrom.

**SECTION 8.08. FISCAL AGENT.** Upon sale and delivery of the Bonds by the Division of Bond Finance on behalf of the Board of Governors, the Board of Administration shall act as the fiscal agent for the Board of Governors with respect to the Bonds.

**SECTION 8.09. SUBSTITUTE FOR MAILING.** If, because of the temporary or permanent suspension of postal service, any person shall be unable to mail any notice required to be given by the provisions of this Resolution, such person shall give notice in such other manner as in its judgment shall most effectively approximate such mailing; and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirement for the mailing thereof.

**SECTION 8.10. INSTRUMENTS OF REGISTERED OWNERS.** Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this Resolution to be executed by any Registered Owner may be in any number of concurrent writings of similar tenor and

may be executed by that Registered Owner in person or by an attorney-in-fact appointed in writing. Proof of (i) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any attorney-in-fact, and (iii) the ownership of Bonds, shall be sufficient for any of the purposes of this Resolution, if made in the following manner, and if so made, shall be conclusive in favor of the University, the Division of Bond Finance, the Board of Governors, and the Board of Administration, with regard to any action taken thereunder, namely:

(a) the fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction, who has the power by law to take acknowledgments within that jurisdiction, that the person signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(b) the fact of ownership of Bonds of any Series shall be proved by the Bond Registrar/Paying Agent for such Series.

**SECTION 8.11. VALIDATION AUTHORIZED.** The attorneys for the Division of Bond Finance are hereby authorized, but not required, to institute proceedings to validate the Bonds, pursuant to Chapter 75, Florida Statutes.

**SECTION 8.12. GOVERNING LAW.** The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

**SECTION 8.13. SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants or provisions shall be null and void and shall be deemed separable from the remaining covenants or provisions of this Resolution or of the Bonds and shall in no way affect the validity or enforceability of any other covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

**SECTION 8.14. REPEAL OF INCONSISTENT RESOLUTIONS.** All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Resolution, to the extent that they are inconsistent with this Resolution, are hereby repealed, revoked, and rescinded, but only to the extent of any such inconsistencies.

**SECTION 8.15. EFFECTIVE DATE.** This Resolution shall take effect immediately upon its adoption.

**ADOPTED June 26, 2012.**

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**THE UNIVERSITY OF FLORIDA**  
**Gainesville, Florida**

*(Source: Information provided by the University of Florida)*

## **Introduction**

The University of Florida is a State-supported land-grant comprehensive research university with student enrollment exceeding 50,000 students. It is the State's oldest university, the only member of the prestigious Association of American Universities in the State of Florida and one of only 61 members in North America. The University is also recognized by the Carnegie Commission on Higher Education as one of the nation's leading research universities.

While highly recognized for its achievements in research and academic programs at the graduate and professional levels, the University is also dedicated to excellence in its undergraduate programs. The student body has the highest academic ranking in Florida and is among the highest ranking public universities in the nation.

Because of the range of academic and research programs on its campus, the University of Florida is among the nation's three most comprehensive universities. It has 16 colleges, more than 170 interdisciplinary research and education centers, bureaus and institutes. These bring together faculty and student scholars from various academic programs to provide research and development services in all areas of State interest. More than 100 undergraduate degree programs are offered and the graduate school coordinates approximately 200 graduate degree programs throughout the University's colleges and schools. Professional post-baccalaureate degrees are offered in law, dentistry, medicine, pharmacy and veterinary medicine.

## **History**

The University of Florida traces its origins to the takeover of the private Kingsbury Academy in Ocala by the State-funded East Florida Seminary in 1853. The seminary was moved to Gainesville following the Civil War. It was consolidated with the State's land-grant Florida Agriculture College, then located in Lake City, to become the University of Florida in Gainesville in 1905. The University had an initial enrollment of 102. Until 1947, the University was for men only and one of only three State colleges. The other State colleges were Florida State College for Women (now Florida State University) and Florida Agricultural and Mechanical College (now Florida Agricultural and Mechanical University). Since 1947, when the student body numbered 8,177 men and 601 women, the University of Florida has grown to over 50,000 students.

## **Governance**

Effective January 7, 2003, a statewide Board of Governors was created pursuant to Article IX, Section 7(d), of the Florida Constitution to operate, regulate, control and be fully responsible for the management of the State University System. The Board of Governors defines the mission of each university and ensures the well-planned coordination and operation of the State University System. The Governor appoints fourteen members to the Board of Governors for staggered terms of seven years. The appointed members are subject to confirmation by the Senate. The Commissioner of Education, the chair of the Advisory Council of Faculty Senates, and the president of the Florida Student Association, also serve as members.

Each university is directly governed by a Board of Trustees ("the Trustees"), consisting of thirteen members. The Boards of Trustees were created pursuant to Article IX, Section 7(c), of the Florida Constitution. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the university are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the university which provide governance in accordance with the rules and policies of the Board of Governors. The university President serves as the executive officer and corporate secretary of the Trustees and is responsible for all operations of the university. Other senior administrative officers of the universities are designated by the president. Generally, the provost/senior vice president for Academic Affairs assumes responsibility for the president during any absence and is the chief academic officer in the university organization. Other vice presidents have responsibility for specific areas within the organization. The deans of colleges and schools are responsible to the Provost for all matters relating to programs and personnel in their respective academic units.

**University Trustees****Term Expires**

C. David Brown, II (Chair) – Chairman, Broad and Cassal (Orlando, FL)	January 6, 2015
Christina Bonarrigo – Student Body President (Gainesville, FL)	May 1, 2014
Susan Cameron – Former Chairman and CEO of Reynolds American Inc. (Ft. Lauderdale, FL)	January 6, 2016
Christopher T. Corr – Executive Vice President, Design and Planning, AECOM (Gainesville, FL)	January 6, 2016
Marshall M. Criser, III – President, AT&T (Miami, FL)	January 6, 2015
Charles B. Edwards - Attorney (Ft. Myers, FL)	January 6, 2016
James “Bill” Heavener – President, Heavener Co. and CEO of Full Sail University (Winter Park, FL)	January 6, 2016
Marc Heft – Chair UF Faculty Senate, Professor, College of Dentistry (Gainesville, FL)	January 1, 2014
Carolyn K. Roberts – President, Roberts Real Estate (Ocala, FL)	June 6, 2015
Dr. Jason Rosenberg – Surgeon (Gainesville, FL)	January 6, 2016
Juliet M. Roulhac – Senior Attorney, Florida Power and Light Company (Miami, FL)	January 6, 2015
Steven M. Scott – Chairman, Scott Holdings, LLC (Boca Raton, FL)	January 6, 2013*
David M. Thomas – Former Chairman and CEO of IMS Health (Windemere, FL)	January 6, 2018

\*Indicates the board members term has expired. These members will serve until replacements have been announced.

The establishment of individual University Board of Trustees has increased the individual institutions’ control of their academic and fiscal affairs. Under the new structure, the universities are no longer state agencies, but are autonomous state-supported public corporations. While the exact structure of the new system continues to evolve, certain of the changes do provide the individual universities with greater fiscal autonomy and financial control.

*Budget.* Each university has control over its own budget, once State funds have been received. The Florida Legislature retains control of the appropriations process.

*Tuition.* The universities have been granted certain powers with regard to setting of tuition and the right to retain their own tuition revenues instead of sending them to the State for redistribution. Still, tuition-setting power for in-state students remains largely in the hands of the Legislature, with lawmakers determining the maximum allowable rates of tuition increase and universities setting the tuition within those limits and any limits imposed by the Board of Governors. The ability for the University to set and collect a number of student service fees provides a meaningful offset to limitations regarding tuition.

*Bonding Authority.* Bond-issuing authority is retained by the State of Florida Division of Bond Finance; the University can borrow through affiliated foundations outside the Division of Bond Finance. The Board of Governors is authorized to request the issuance of revenue bonds to finance or refinance capital outlay projects permitted by law.

**Buildings and Other Capital Facilities**

The 2,000-acre contiguous campus has over 1,000 buildings containing 20.5 million gross square feet. These facilities have a book value of more than \$1 billion with a replacement value of more than \$2.5 billion. Of these buildings, more than 200 have classrooms and laboratories. Within the past decade, over 40 major buildings have been completed. Funding from grants, private gifts and the legislature has allowed for significant improvements and additions to facilities located at the University, including the new Biomedical Sciences Building, Pugh Hall, Hough Hall, Levin Advocacy Center, the Emerging Pathogens Institute, the Small Animal Hospital, the Nanoscale Research Facility and the UF Innovation HUB. The University is currently in the construction phase of the Harn Asian Art Wing Addition, the Clinical & Translation Research Building, the Research & Academic Center at Lake Nona and the Cellulosic Ethanol Plant.

The Florida Museum of Natural History is among the top ten natural history museums in the nation and number one in the Southeast. Notable other facilities include the Harn Museum of Art; the Phillips Center for Performing Arts; the University Art Gallery; the second largest academic computing center in the south; one of the nation's few self-contained intensive care hyperbaric chambers for treating near-drowning victims; a materials measuring system with helium refrigerators which, along with only two others in the world, have recorded the closest temperature to absolute zero; a 100-kilowatt training and research reactor; the largest coastal engineering wave tank in the southeast; the second largest research

facility in the southeast, the world's largest and most complete citrus research center; a world-class cast-bell carillon and a 74-rank Aeolian Skinner organ. The Stephen C. O'Connell Center and the J. Wayne Reitz Union provide space for a myriad of student and faculty activities. One thousand persons can participate simultaneously in eight different recreational activities in the O'Connell Center. More than 20,000 people use the Union daily for dining, meeting, bowling, pool and other table games, arts and crafts, music listening, TV viewing and more. Open spaces, small ponds, picnic areas, shady nooks and even an 81-acre wildlife sanctuary lake on campus provide opportunities to enjoy Florida's year-round outdoor life.

## Capital Improvement Plan

The following table shows the capital improvement projects currently in progress for the University as well as the current and future funding sources for each. Several of these projects are funded with Public Education Capital Outlay monies generated from the collection of gross receipts taxes levied on utilities and telecommunication services. Various other funding sources (general revenue, capital improvement fee trust fund, private funds, bond proceeds, grants, etc.) provide monies to finance some of the capital improvement projects.

### Capital Improvement Projects in Progress at January 1, 2013

<u>Project</u>	<u>Funding Sources</u>	
	<u>Public Education Capital Outlay</u>	<u>Other</u>
Tennis Practice Facility		\$2,000,000
Gymnastics Renovation and Addition		4,000,000
Tropical Research & Education Center (Homestead)		3,149,400
Chemical Engineering Building Addition		3,635,149
Research & Academic Center at Lake Nona	\$32,000,000	22,585,524
East Campus Data Center		15,600,000
Institute on Aging Clinical Translational Research Building		44,478,837
Harrell Medical Education Building		44,447,700
Chemistry/Chemical Bldg and Reno of Existing	7,258,204	
SUS Joint Use Library Storage Facility	2,017,512	
Addition & Renovations to JWRU Student Union		69,000,000
Heavner Hall – WCBA Undergrad Studies Bldg.		21,400,000
<b>Total</b>	<b>\$41,275,716</b>	<b>\$230,296,610</b>

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The following table lists the University's 5-year capital improvement plan by priority level.

**Five Year Capital Improvement Plan and Legislative Budget Request  
In Order of Priority**

<b>Priority Number</b>	<b>Project Name</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Total Requested</b>
1	Utilities / Infrastructure Improvements	14,000,000	16,000,000	18,000,000	18,000,000	18,000,000	84,000,000
2	Chemistry & Chemical Biology	29,145,898	10,000,000	4,295,898			43,441,796
3	Nuclear Science Building Renov/Addit.		25,000,000	15,000,000	5,000,000		45,000,000
4	Norman Hall Remodeling/Renov.			8,000,000	8,000,000	8,437,950	24,437,950
5	Dental Science Building Renovations			3,150,000			3,150,000
6	McCarty Hall – Renov.			12,362,500	13,800,000	9,131,000	35,293,500
7	Mechanical/Aeronautical Engineering			28,750,000	19,910,312	16,905,000	65,565,312
8	Harrell Medical Education Building				22,500,000	22,500,000	45,000,000
9	CLAS Life Sciences				14,662,500	20,000,000	34,662,500
10	Whitney Ctr. For Marine Animal Health				12,597,712	15,922,288	28,520,000
11	UF Public Safety Building				8,507,999	19,980,999	28,488,998
12	IFAS Natural Resources Building					23,000,000	23,000,000
13	Psychology Remodel and Addition					13,800,000	13,800,000
14	IFAS Field Operations Relocation					2,000,000	2,000,000
15	HDC/BSB Renovations/Remodeling					15,760,750	15,760,750
16	Rolfs Hall Restoration/Renovation					13,826,556	13,826,556
17	Weil Hall Remodeling/Renovation					14,322,684	14,322,684
18	IFAS Tropical Res. & Ed. Ctr.					6,000,000	6,000,000
19	Environmental Sciences Building					45,000,000	45,000,000
20	Music Building Renovation					18,250,000	18,250,000
<b>Totals</b>		<b>43,145,898</b>	<b>51,000,000</b>	<b>89,558,398</b>	<b>122,978,523</b>	<b>282,837,227</b>	<b>589,520,046</b>

### Budgetary Process

The University of Florida Board of Trustees (the “University Board”) is required to prepare and submit to the Florida Board of Governors for review an annual operating budget which represents the University’s plan for utilizing the resources available through direct or continuing appropriation by the Legislature, student fees, and other local sources. The operating budget is prepared and submitted in accordance with the provisions of State law, rules of the Florida Board of Governors, and the General Appropriations Act. The University’s operating budget is comprised of the following budget entities:

*Educational and General.* The Educational and General budget is comprised of activities which serve the University’s primary mission of teaching, research and public service and which are funded from State appropriations, student fees, Federal formula funds, and sales of goods and services that are incidental to the conduct of educational activities.

*Auxiliary Enterprises.* The Auxiliary Enterprises budget represents planned expenditures funded from revenues generated by self-supporting functions and service centers.

*Contracts and Grants.* The Contracts and Grants budget represents planned expenditures supported by contracts and grants sponsored by Federal, State, and local units of government as well as private industry. This budget also includes gifts and grants from private sources.

*Student Activities.* The Student Activities budget includes planned expenditures to be funded from activity and service fees, which the University is authorized by law to charge its students. The budget is developed and approved in accordance with Section 1009.24(9), Florida Statutes.

*Concessions.* The Concession Fund represents planned expenditures of revenues earned from vending activities.

*Intercollegiate Athletics.* Intercollegiate athletics at the University is operated by the University Athletic Association, Inc., a private, not-for-profit organization and a University direct-support organization as defined by Section 1004.28, Florida Statutes. The budget includes planned expenditures of revenue sources that include, but are not limited to, student athletic fees assessed and collected by the University as authorized by Section 1009.24(11), Florida Statutes, ticket sales, private contributions, sales and licensing, and concessions.

*Student Financial Aid.* The Student Financial Aid budget consists of estimated expenditures of revenues received from Federal, State, and private sources as well as student financial aid fees assessed and collected by the University, as authorized by Section 1009.24(6), Florida Statutes, and other University-designated sources for financial assistance to students.

*Self-Insurance Program.* The Self-Insurance Program (Program) provides the general and professional liability protection to the University Board for its faculty members and other employees of the six Health Science Center (HSC) colleges. The budget represents estimated revenues from contribution/premiums paid by the Program participants, planned administrative expenses of the Program, and estimated claims costs.

*Faculty Practice Plans.* This budget consists of planned expenditures of revenues resulting from clinical practice by members of the academic clinical faculty of the University of Florida Health Science Center.

The operating budget of the University is included below for the prior and current Fiscal Years.

#### **Operating Budget**

<b><u>Budget Entity</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>
Educational and General	\$836,164,601	\$830,653,951	\$858,111,984	\$830,255,035	\$791,915,959
Auxiliary Enterprises	294,663,347	309,237,424	336,399,605	415,953,781	425,634,509
Contracts and Grants	774,774,992	1,015,553,201	1,013,674,802	843,880,393	810,106,111
Student Activities	13,295,278	13,689,000	14,089,597	16,703,119	17,712,360
Concessions	824,975	748,290	714,110	814,839	852,716
Intercollegiate Athletics	80,613,587	85,485,675	89,955,231	100,688,657	100,032,208
Student Financial Aid	358,952,387	403,150,381	411,780,841	446,091,502	456,046,145
Self-Insurance Program	30,650,000	33,111,783	28,967,007	28,133,231	28,122,231
Technology Fee	-	6,000,000	6,050,000	12,748,227	12,821,106
Faculty Practice Plans*	<u>426,015,891</u>	<u>161,539,573</u>	<u>164,072,238</u>	<u>721,515,780</u>	<u>726,111,239</u>
<b>Total</b>	<b>\$2,815,955,058</b>	<b>\$2,859,169,278</b>	<b>\$2,923,815,415</b>	<b>\$3,416,784,563</b>	<b>\$3,369,354,584</b>

\* Beginning with the 2009-10 budget, a portion of Faculty Practice Plans is reported in Contracts and Grants. In addition, beginning with the 2011-12 budget, Faculty Practice Plan operations were consolidated to save administrative costs. Payroll and supply costs are now run through the University, with the practice plans transferring fund to the University to pay for those costs.

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## Sources of Revenue

*Historical Summary of Revenue Sources.* The following table sets forth the percentage of the University's total revenues represented by each revenue source for the periods indicated.

### Historical Summary of Current Fund Sources

<u>Fund Source</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
State Appropriations	35.84%	27.63%	24.38%	24.16%	22.63%
Student Tuition and Fees	10.42%	10.19%	10.83%	11.49%	13.74%
Federal and State Student Financial Aid	6.15%	5.51%	6.28%	6.15%	4.98%
Federal Contracts and Grants	16.79%	14.85%	16.85%	16.41%	17.52%
State and Local Contracts and Grants*	3.37%	2.99%	4.15%	3.32%	1.95%
Capital Appropriations and Other Donations	-	4.28%	2.57%	3.14%	0.94%
Nongovernmental Contracts and Grants	18.30%	25.50%	25.23%	26.17%	29.39%
Auxiliary Enterprises	7.30%	6.24%	6.54%	5.90%	5.54%
Sales & Services of Educational Activities	1.97%	2.10%	1.88%	1.97%	2.05%
Other Sources	<u>1.47%</u>	<u>0.71%</u>	<u>1.31%</u>	<u>1.29%</u>	<u>1.26%</u>
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%

\*For Fiscal Years 2009-10 and 2010-11, State and Local Contract and Grants revenues include American Recovery and Reinvestment Act (ARRA) Funds.

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*Tuition and Fees.* The following table lists the registration, tuition and local fees charged to each undergraduate student per credit hour for the current and past four academic years.

#### Registration, Tuition and Local Fees for Undergraduate Students

<b>Registration and Tuition Fees (per credit hour)</b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>
<u>Resident Students:</u>					
Tuition	\$82.03	\$88.59	\$95.67	\$103.32	\$103.32
Tuition Differential	6.96	13.74	22.00	32.00	44.17
Building Fee*	2.32	2.32	2.32	2.32	-
Student Financial Aid Fee	4.10	4.42	4.78	5.16	5.16
Capital Improvement Trust Fund Fee*	<u>2.44</u>	<u>2.44</u>	<u>2.44</u>	<u>2.44</u>	<u>6.76</u>
<b>Total</b>	<b>\$97.85</b>	<b>\$111.51</b>	<b>\$127.21</b>	<b>\$145.24</b>	<b>\$159.41</b>
<u>Non-Resident Students**</u>					
Non-Resident Tuition Fee	\$534.76	\$614.97	\$707.21	\$707.21	\$707.21
Non-Resident Student Financial Aid Fee	<u>26.73</u>	<u>30.74</u>	<u>35.36</u>	<u>35.36</u>	<u>35.36</u>
<b>Total</b>	<b>\$561.49</b>	<b>\$645.71</b>	<b>\$742.57</b>	<b>\$742.57</b>	<b>\$742.57</b>
<b>Local Fees*** (per credit hour)</b>					
Activity & Service Fee	\$10.16	\$10.65	\$13.94	\$14.55	\$16.06
Athletic Fee	1.90	1.90	1.90	1.90	1.90
Transportation Access Fee	6.11	6.79	7.33	7.88	8.41
Health Fee	9.89	10.49	12.99	13.82	13.82
Technology Fee	<u>N/A</u>	<u>4.42</u>	<u>4.78</u>	<u>5.16</u>	<u>5.16</u>
<b>Total</b>	<b>\$28.06</b>	<b>\$34.25</b>	<b>\$40.94</b>	<b>\$43.31</b>	<b>\$45.35</b>

\* Beginning in Fiscal Year 2012-13, the Building Fee and the Capital Improvement Trust Fund Fee were combined.

\*\* Non-resident students pay additional tuition and fees.

\*\*\* Local fees are assessed in addition to the registration and tuition fees.

The following table lists the registration, tuition and local fees charged to each graduate student per credit hour for the current and past four academic years.

#### Registration, Tuition and Local Fees for Graduate Students

	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>
<b>Registration and Tuition Fees (per credit hour)</b>					
<u>Resident Students:</u>					
Tuition	\$293.79	\$337.85	\$388.52	\$427.37	\$448.73
Building Fee*	2.32	2.32	2.32	2.32	-
Student Financial Aid Fee	14.68	16.89	19.42	21.36	22.43
Capital Improvement Trust Fund Fee*	<u>2.44</u>	<u>2.44</u>	<u>2.44</u>	<u>2.44</u>	<u>6.76</u>
<b>Total</b>	<b>\$313.23</b>	<b>\$359.50</b>	<b>\$412.70</b>	<b>\$453.49</b>	<b>\$477.92</b>
<u>Non-Resident Students**</u>					
Non-Resident Tuition Fee	\$600.19	\$690.21	\$690.21	\$690.21	\$690.21
Non-Resident Student Financial Aid Fee	<u>30.00</u>	<u>34.51</u>	<u>34.51</u>	<u>34.51</u>	<u>34.51</u>
<b>Total</b>	<b>\$630.19</b>	<b>\$724.72</b>	<b>\$724.72</b>	<b>\$724.72</b>	<b>\$724.72</b>
<b>Local Fees*** (per credit hour)</b>					
Activity & Service Fee	\$10.16	\$10.65	\$13.94	\$14.55	\$16.06
Athletic Fee	1.90	1.90	1.90	1.90	1.90
Transportation Access Fee	6.11	6.79	7.33	7.88	8.41
Health Fee	9.89	10.49	12.99	13.82	13.82
Technology Fee	<u>N/A</u>	<u>5.52</u>	<u>5.97</u>	<u>6.45</u>	<u>6.45</u>
<b>Total</b>	<b>\$28.06</b>	<b>\$35.35</b>	<b>\$42.13</b>	<b>\$44.60</b>	<b>\$46.64</b>

\* Beginning in Fiscal Year 2012-13, the Building Fee and the Capital Improvement Trust Fund Fee were combined.

\*\* Non-resident Students pay additional tuition and fees.

\*\*\* Local fees are assessed in addition to the registration and tuition fees.

*History of General Revenue Appropriations.* The following table sets forth the history of General Revenue appropriations available to the University, which includes appropriations for Educational and General, the University's Institute of Food and Agricultural Sciences and the University's Health Science Center (medicine, veterinary medicine and dentistry), for Fiscal Year 2008-09 through Fiscal Year 2013-14. General Revenue appropriations are primarily funded from Florida's sales tax.

### **History of General Revenue Appropriations**

<b><u>Fiscal Year</u></b>	<b><u>General Revenue Appropriations</u></b>
2008-09	\$555,873,959
2009-10	495,550,706
2010-11	503,938,597
2011-12	465,902,191
2012-13	423,134,295
2013-14	527,422,390

The Fiscal Year 2012-13 General Appropriations Act (the "2012-13 GAA"), Chapter 2012-118, Laws of Florida, incorporated reductions in Educational and General appropriations to the State University System institutions totaling approximately \$300 million. The allocation of the total reduction varied by institution, with legislative expectations that the reduced appropriations would be nonrecurring and that the universities would offset a portion of the cuts with available unrestricted reserves and the authorization to raise tuition up to 15% for in-state undergraduate students. The 2012-13 GAA appropriated \$423.1 million in general revenue to the University, reflecting a reduction of approximately \$42 million in general revenue appropriations from Fiscal Year 2011-12. The Board of Governors approved a 9% tuition differential increase for the University for the 2012-13 academic year, which recouped approximately \$15 million in revenues.

The Fiscal Year 2013-14 General Appropriations Act (the "2013-14 GAA"), Chapter 2013-040, Laws of Florida, appropriated \$527.4 million in general revenue to the University of Florida, reflecting a net increase of approximately \$104.3 million in general revenue appropriations from Fiscal Year 2012-13. This increase includes a \$15 million appropriation for being one of two institutions designated as a Preeminent State Research University, and an additional \$15 million for the designation of Preeminent State Research University Institute for Online Learning.

*History of Other Revenue Sources.* The following table sets forth the history of budgeted University revenues other than State general revenue appropriations, by budget entity, for Fiscal Year 2008-09 through Fiscal Year 2012-13.

### **History of Revenues Other than General Revenue Appropriations**

<b><u>Fiscal Year</u></b>	<b><u>Educational &amp; General<sup>1</sup></u></b>	<b><u>Contracts &amp; Grants</u></b>	<b><u>Auxiliary Enterprises</u></b>	<b><u>Other<sup>2</sup></u></b>	<b><u>Total</u></b>
2008-09	\$280,290,642	\$774,774,992	\$294,663,347	\$910,352,118	\$2,260,081,099
2009-10	335,103,245	1,015,553,201	309,237,424	703,724,702	2,363,618,572
2010-11	354,173,387	1,013,674,802	336,399,605	715,629,024	2,419,876,818
2011-12	364,352,844	843,880,393	415,953,781	1,326,695,355	2,950,882,373
2012-13	368,781,664	810,106,111	425,634,509	1,341,709,005	2,946,231,289

<sup>1</sup> Includes tuition and funds received from the State's Educational Enhancement Trust Fund from sales of lottery tickets.

<sup>2</sup> Includes Student Activities, Concessions, Student Financial Aid, Athletics, the Self-Insurance Program, the Technology Fee, and Faculty Practice Plans. Beginning with the 2009-2010 budget, a portion of Faculty Practice Plans is reported in Contracts and Grants. In addition, beginning with the 2011-12 budget, Faculty Practice Plan operations were consolidated to save administrative costs. Payroll and supply costs are now run through the University, with the practice plans transferring funds to the University to pay for those costs.

**History of Financial Aid Awards.** The following table sets forth the history of financial aid awards from Fiscal Year 2007-08 through Fiscal Year 2011-12.

### History of Financial Aid Awards

<u>Source of Award</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Federal					
Number	21,269	21,409	22,804	23,845	24,798
Amount	\$221,278,572	\$244,252,149	\$275,952,893	\$297,073,340	\$307,787,680
State					
Number	35,239	35,593	35,041	34,539	34,199
Amount	\$124,290,846	\$134,277,673	\$135,233,048	\$140,635,931	\$129,896,731
Institutional					
Number	18,233	17,831	23,823	19,643	19,921
Amount	\$67,015,068	\$67,554,341	\$77,211,493	\$79,707,011	\$82,384,669
Private					
Number	8,685	7,826	6,248	5,667	5,865
Amount	\$25,520,424	\$27,169,701	\$23,237,202	\$24,231,235	\$26,998,158
Total					
Number	44,379	46,325	47,807	47,441	47,400
Amount	\$438,104,910	\$4733,253,864	\$511,634,636	\$541,647,517	\$547,067,238
<u>Type of Award</u>					
Grants					
Number	11,450	11,551	14,388	14,385	15,172
Amount	\$56,843,742	\$58,000,547	\$89,127,829	\$93,708,328	\$76,214,275
Loans					
Number	17,469	17,577	17,822	18,046	19,307
Amount	\$197,377,355	\$216,164,298	\$220,777,374	\$238,936,519	\$263,623,818
Scholarships					
Number	37,013	37,799	37,670	36,909	36,675
Amount	\$153,911,812	\$164,651,935	\$166,944,132	\$172,805,008	\$168,317,072
Student Employment					
Number	6,234	6,239	6,753	6,778	7,146
Amount	\$12,202,993	\$13,833,033	\$16,340,288	\$17,122,617	\$18,536,840
Custodial					
Number	5,217	5,458,	4,746	4,758	4,695
Amount	\$17,769,008	\$20,604,051	\$18,445,013	\$19,075,045	\$20,375,233
Total					
Number	44,379	46,325	47,807	47,441	47,400
Amount	\$438,104,910	\$473,253,864	\$511,634,636	\$541,647,517	\$547,067,238

### Selected Historical Financial Information

Selected University financial information for Fiscal Years 2007-08 through 2011-12 is set forth in the following tables. This selected historical information has been derived from, and should be read in conjunction with the University financial statements and the related notes thereto, included as Appendix F to this Official Statement. Such financial information has been subject to audit procedure by the State of Florida Auditor General's Office. Implementation of GASB 34 and 35 is reflected in the presentation of the financial information below.

Statement of Net Assets					
(In Thousands)					
	Fiscal Years Ended June 30				
	2008	2009	2010	2011	2012
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$441	\$683	\$855	\$1,531	\$503
Investments	761,248	813,536	917,327	978,644	987,024
Accounts Receivable, Net	121,553	117,834	116,460	118,336	145,382
Loans and Notes Receivable, Net	3,864	3,804	4,084	3,082	3,155
Due from State & Component Units	231,864	194,104	111,762	91,010	44,855
Inventories	5,688	5,387	5,089	4,865	4,680
Other Current Assets	618	586	3,888	2,781	1,824
<b>Total Current Assets</b>	<b>\$1,125,276</b>	<b>\$1,135,934</b>	<b>\$1,159,465</b>	<b>\$1,200,249</b>	<b>\$1,187,423</b>
<b>Noncurrent Assets:</b>					
Restricted Cash and Cash Equivalents	\$2,624	\$3	\$14	\$8	\$16
Restricted Investments	76,049	76,478	81,735	105,695	100,878
Loans and Notes Receivable, Net	38,691	38,621	37,685	37,314	37,491
Depreciable Capital	1,307,972	1,378,345	1,505,577	1,557,991	1,549,324
Nondepreciable Capital Assets	98,612	125,202	100,018	105,301	116,369
Other Noncurrent Assets	1,217	1,152	914	854	1,126
<b>Total Noncurrent Assets</b>	<b>\$1,525,165</b>	<b>\$1,619,801</b>	<b>\$1,725,943</b>	<b>\$1,807,163</b>	<b>\$1,805,204</b>
<b>TOTAL ASSETS</b>	<b><u>\$2,650,441</u></b>	<b><u>\$2,755,735</u></b>	<b><u>\$2,885,408</u></b>	<b><u>\$3,007,412</u></b>	<b><u>\$2,992,627</u></b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$63,291	\$49,061	\$61,138	\$61,620	\$75,033
Accrued Salaries and Wages Payable	30,910	38,721	44,036	15,742	19,266
Due to State and Component Units	8,962	1,486	26,146	28,901	14,863
Deferred Revenue	34,877	47,449	27,353	28,958	25,575
Deposits Held in Custody	5,765	4,642	5,247	7,773	9,610
Long-Term Liabilities - Current Portion:					
Bonds and Revenue Certificates Payable	6,937	7,409	4,550	5,193	6,919
Installment Purchase Agreements Payable	1,651	2,333	1,259	978	868
Capital Leases Payable	94	100	107	114	74
Compensated Absences Payable	8,222	8,665	9,885	11,860	7,243
Liability for Self-Insured Claims	14,772	12,930	17,509	16,120	15,440
Other Current Liabilities	18,277	2,364	41	23,408	8,349
<b>Total Current Liabilities</b>	<b>\$193,758</b>	<b>\$175,160</b>	<b>\$197,271</b>	<b>\$200,667</b>	<b>\$183,240</b>
<b>Noncurrent Liabilities:</b>					
Bonds and Revenue Certificates Payable	\$119,618	\$121,966	\$74,614	\$99,314	\$119,365
Installment Purchase Agreements Payable	2,361	2,108	1,295	1,092	1,077
Capital Leases Payable	3,517	3,417	3,310	3,197	3,076
Compensated Absences Payable	145,299	152,093	159,750	166,071	90,621
Postemployment Healthcare Benefits Payable	10,155	19,643	42,869	66,062	102,458
Liability for Self-Insured Claims	80,339	86,912	89,481	82,287	87,392
Other Noncurrent Liabilities	-	20,070	19,721	19,425	19,106
<b>Total Noncurrent Liabilities</b>	<b>\$361,289</b>	<b>\$406,214</b>	<b>\$391,040</b>	<b>\$437,448</b>	<b>\$423,095</b>
<b>TOTAL LIABILITIES:</b>	<b><u>\$555,047</u></b>	<b><u>\$581,374</u></b>	<b><u>\$588,311</u></b>	<b><u>\$638,115</u></b>	<b><u>\$606,335</u></b>
<b>NET ASSETS:</b>					
Invested in Capital Assets, Net of Related Debt	\$1,300,680	\$1,384,242	\$1,510,283	\$1,573,215	\$1,570,417
Restricted					
Expendable:					
Loans	53,727	33,416	35,027	33,935	36,065
Capital Projects	236,716	186,203	127,441	105,522	47,251
Debt Service	3,245	3,081	4,684	4,863	5,289
Other Restricted Net Assets	420,959	457,539	495,250	540,347	566,081
Unrestricted	80,067	109,880	124,412	111,415	161,189
<b>TOTAL NET ASSETS</b>	<b>\$2,095,394</b>	<b>\$2,174,361</b>	<b>\$2,297,097</b>	<b>2,369,297</b>	<b>2,386,292</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$2,650,441</u></b>	<b><u>\$2,755,735</u></b>	<b><u>\$2,885,408</u></b>	<b><u>3,007,412</u></b>	<b><u>\$2,992,627</u></b>

Statement of Revenue Expenses and Changes in Net Assets					
(In Thousands)					
	Fiscal Years Ended June 30				
REVENUES	2008	2009	2010	2011	2012
<b>Operating Revenues</b>					
Student Tuition and Fees	\$310,893	\$344,001	\$383,204	\$424,462	\$462,050
Less: Tuition Scholarship Allowances	(118,167)	(115,014)	(137,835)	(148,351)	(141,554)
Net Student Tuition and Fees	192,726	228,987	245,369	276,111	320,496
Federal Grants and Contracts	310,515	333,871	381,729	392,326	408,728
State and Local Grants and Contracts	62,336	67,184	53,016	48,431	43,085
Nongovernmental Grants and Contracts	338,319	573,094	571,481	629,771	604,723
Sales and Services of Auxiliary Enterprises	135,044	140,189	148,194	136,634	129,369
Sales and Services of Educational Departments	36,393	47,249	42,602	45,643	47,771
Interest on Loans and Notes Receivable	742	769	1,958	1,007	998
Other Operating Revenue	735	377	709	2,824	2,288
<b>Total Operating Revenues</b>	<b>\$1,076,810</b>	<b>\$1,391,720</b>	<b>\$1,445,058</b>	<b>1,532,747</b>	<b>1,557,458</b>
<b>EXPENSES</b>					
<b>Operating Expenses</b>					
Compensation and Employee Benefits	\$1,215,901	\$1,456,954	\$1,514,455	\$1,583,100	\$1,522,935
Services and Supplies	344,313	352,375	390,442	434,167	446,578
Utilities and Communications	65,108	71,510	73,879	67,693	65,675
Scholarships, Fellowships and Waivers	82,275	98,459	97,324	98,600	80,810
Depreciation	110,740	120,508	116,264	126,568	116,697
Self-Insured Claims and Expenses	26,176	21,654	23,957	11,030	11,803
<b>Total Operating Expenses</b>	<b>\$1,844,513</b>	<b>\$2,121,460</b>	<b>\$2,216,321</b>	<b>\$2,321,158</b>	<b>\$2,244,498</b>
<b>Operating Income (Loss)</b>	<b>(\$767,703)</b>	<b>(\$729,740)</b>	<b>(\$771,263)</b>	<b>(\$788,411)</b>	<b>(\$687,040)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
State Appropriations	\$662,574	\$620,968	\$552,200	\$579,123	\$527,880
Federal and State Scholarship Grants	113,796	123,949	142,184	147,345	116,178
State Appropriated ARRA Funds			40,916	30,923	2,384
Noncapital Grants, Contracts, and Gifts	-	-	-	-	81,077
Investment Income (Loss)	25,691	14,848	26,924	29,099	26,156
Net Increase in the Fair Value of Investments	-	(20,732)	40,745	16,812	2,355
Investment Expenses	-	-	(1,476)	(1,656)	(2,097)
Gain (Loss) on Disposal of Capital Assets	(4,402)	(3,487)	2,152	(5,331)	(2,573)
Interest on Capital Asset Related Debt	(6,125)	(6,578)	(6,502)	(4,464)	(5,483)
Other Non-Operating Revenues (Expenses)	(5,239)	(5,061)	(3,986)	(6,389)	(63,852)
<b>Net Non-Operating Revenues (Expenses)</b>	<b>\$786,295</b>	<b>\$723,907</b>	<b>\$793,157</b>	<b>\$785,462</b>	<b>\$682,025</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>\$18,592</b>	<b>(\$5,833)</b>	<b>\$21,894</b>	<b>(\$2,949)</b>	<b>(\$5,015)</b>
<b>Capital Appropriations</b>	<b>\$152,474</b>	<b>\$83,702</b>	<b>\$37,969</b>	<b>\$60,259</b>	<b>\$6,060</b>
<b>Capital Grants, Contracts and Donations</b>	<b>22,998</b>	<b>12,510</b>	<b>20,172</b>	<b>14,890</b>	<b>15,950</b>
<b>Total Other Revenues, Expenses, Gains or Losses</b>	<b>\$175,472</b>	<b>\$96,212</b>	<b>\$58,141</b>	<b>\$75,149</b>	<b>\$22,010</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$194,064</b>	<b>\$90,379</b>	<b>\$80,035</b>	<b>\$72,200</b>	<b>\$16,995</b>
<b>Net Assets, Beginning of Year</b>	<b>\$1,901,330</b>	<b>\$2,095,394</b>	<b>\$2,174,361</b>	<b>\$2,297,097</b>	<b>\$2,369,297</b>
<b>Adjustment to Beginning Net Assets</b>	<b>-</b>	<b>(11,412)</b>	<b>42,701</b>	<b>-</b>	<b>-</b>
<b>Adjusted Net Assets, Beginning of Year, Restated</b>	<b>-</b>	<b>2,083,982</b>	<b>2,217,062</b>	<b>2,297,097</b>	<b>2,369,297</b>
<b>Net Assets End of Year</b>	<b><u>\$2,095,394</u></b>	<b><u>\$2,174,361</u></b>	<b><u>\$2,297,097</u></b>	<b><u>\$2,369,297</u></b>	<b><u>\$2,386,292</u></b>

## Students

*General.* The University of Florida enrollment has stabilized at around 50,000 students as part of a program to improve the quality of the undergraduate enrollment. The Fall 2012 semester enrollment was 50,086: 64% were undergraduates; 24% were graduate students; and 12% were professional students. Approximately 6,600 (13%) of the Fall 2012 enrollment were first time college freshman (including students enrolled in summer 2012). The demographics of the Fall 2012 enrollment were as follows: 54% female; 46% male; 22.6% minorities (which includes African American, Hispanic, Asian and American Indian); 5.3% African American; 12.0% Hispanic; and 7.9% foreign students.

The middle 50% of SAT scores of entering freshman in Fall 2012 ranged from 1830 to 2080 and the mid-range of their high school grade point averages was 4.0 to 4.4.

About one-fourth of the student body lives in campus residence halls or fraternity or sorority houses. The majority of remaining students live in private apartments surrounding campus. A relatively small number of students commute each day to campus from their permanent home addresses.

The University of Florida's students lead a rich social and extracurricular life. They belong to more than 980 student organizations, attend hundreds of sporting events, concerts, art exhibits and theatrical productions each year and enjoy a variety of outdoor activities throughout the year.

*Student Enrollment.* The following table shows the admission and registration data for the University of Florida for the most recent five fall semesters for which information is available.

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**Admission and Registration Headcounts and  
Percentages by Type of Student**

	<b><u>Fall 2008</u></b>	<b><u>Fall 2009</u></b>	<b><u>Fall 2010</u></b>	<b><u>Fall 2011</u></b>	<b><u>Fall 2012</u></b>
<b>Total Students:</b>					
No. of Applicants	47,626	47,228	50,316	52,234	52,525
No. Admitted	16,755	16,808	18,380	18,970	19,967
% of Applicants Admitted	35.2%	35.6%	36.5%	36.3%	38.0%
No. Enrolled	9,423	9,451	9,901	9,921	9,917
% of Admitted Enrolled	56.2%	56.2%	53.9%	52.3%	49.7%
<b>First-Time-in-College:</b>					
No. of Applicants	19,485	18,999	19,881	20,457	20,149
No. Admitted	7,769	7,563	8,335	8,522	8,632
% of Applicants Admitted	39.9%	39.8%	41.9%	41.7%	42.8%
No. Enrolled	4,186	4,072	4,165	4,226	3,957
% of Admitted Enrolled	53.9%	53.8%	50.0%	49.6%	45.8%
<b>Community College Transfers:</b>					
No. of Applicants	3,709	3,451	3,133	3,237	3,338
No. Admitted	1,270	1,415	1,442	1,609	1,576
% of Applicants Admitted	34.2%	41.0%	46.0%	49.7%	47.2%
No. Enrolled	993	1,147	1,162	1,288	1,232
% of Admitted Enrolled	78.2%	81.1%	80.6%	80.0%	78.2%
<b>Other Undergraduate Transfers:</b>					
No. of Applicants	2,238	1,575	1,299	1,410	1,602
No. Admitted	223	253	296	311	375
% of Applicants Admitted	10.0%	16.1%	22.8%	22.1%	23.4%
No. Enrolled	149	179	191	198	243
% of Admitted Enrolled	66.8%	70.8%	64.5%	63.7%	64.8%
<b>Post-Baccalaureate:</b>					
No. of Applicants	131	159	200	258	143
No. Admitted	84	117	137	154	105
% of Applicants Admitted	64.1%	73.6%	68.5%	59.7%	73.4%
No. Enrolled	53	90	108	107	74
% of Admitted Enrolled	63.1%	76.9%	78.8%	69.5%	70.5%
<b>Graduate:</b>					
No. of Applicants	14,856	16,042	18,281	19,633	20,476
No. Admitted	5,603	5,738	6,402	6,676	7,501
% of Applicants Admitted	37.7%	35.8%	35.0%	34.0%	36.6%
No. Enrolled	2,924	2,889	3,196	3,006	3,363
% of Admitted Enrolled	52.2%	50.3%	49.9%	45.0%	44.8%
<b>Professional Schools:</b>					
No. of Applicants	7,207	7,002	7,522	7,239	6,817
No. Admitted	1,806	1,722	1,768	1,698	1,778
% of Applicants Admitted	25.1%	24.6%	23.5%	23.5%	26.1%
No. Enrolled	1,118	1,074	1,079	1,096	1,048
% of Admitted Enrolled	61.9%	62.4%	61.0%	64.5%	58.9%



The table below shows the full-time equivalent (FTE) enrollment of the University of Florida by level for each of the past five academic years. The full-time equivalent student calculation factor is a measure of student enrollment based on the number of student credit hours for which students enroll. Under the semester system, 15 undergraduate student credit hours or 12 graduate student credit hours are equivalent to one FTE during the fall and spring semesters. During the summer semester, 10 undergraduate student credit hours or 8 graduate student credit hours are equivalent to one FTE. Annual full-time equivalency is 40 hours for undergraduate students and 32 hours for graduate students. FTE enrollment is determined by dividing the total number of hours enrolled by all students in a specific category by the appropriate hour requirement. Despite increased demand, enrollment numbers have slightly declined over the past five years because the University has intentionally constrained enrollment, due to state budget cuts and the desire to maintain the quality of education.

#### **Full-Time Equivalent Enrollment by Level and Total Headcount Enrollment**

<b>Academic Year</b>	<b>Annual Full-Time Equivalent</b>			<b>Fall Headcount</b>			
	<b>Undergraduate</b>	<b>Graduate<sup>1</sup></b>	<b>Total</b>	<b>Undergraduate</b>	<b>Graduate</b>	<b>Other<sup>2</sup></b>	<b>Total</b>
2008-09	25,377	9,551	34,928	34,365	11,756	5,991	52,112
2009-10	24,413	9,396	33,809	33,015	11,823	6,006	50,844
2010-11	23,846	9,425	33,271	33,587	12,191	4,338	50,116
2011-12	23,558	9,496	33,054	33,513	12,031	4,241	49,785
2012-13 <sup>3</sup>	23,526	9,548	33,074	32,038	12,189	5,859	50,086

<sup>1</sup> Excludes Medical Professionals.

<sup>2</sup> Includes 1<sup>st</sup> Professionals and Unclassifieds.

<sup>3</sup> Preliminary, subject to change.

Projected enrollment is expected to increase for the first time in three years in Fiscal Year 2013-14 by approximately 1.5%, before declining slightly again in Fiscal Year 2014-15 and remaining flat thereafter at the same levels as Fiscal Year 2011-12. The following table shows the enrollment projections for the University for the next five fall semesters.

#### **Projected Annual Full-Time Equivalent and Headcount Enrollment**

<b>Academic Year</b>	<b>Annual FTE</b>			<b>Fall Headcount</b>
	<b>Undergraduate</b>	<b>Graduate<sup>1</sup></b>	<b>Total</b>	
2013-14	23,136	9,196	32,332	50,782
2014-15	22,974	9,188	32,162	49,820
2015-16	22,914	9,193	32,107	49,720
2016-17	22,998	9,201	32,199	49,819
2017-18	23,030	9,218	32,248	49,894

<sup>1</sup> Includes Medical Professionals.

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The table below shows the total enrollment of students by area of origin for the past five fall semesters.

**Total Headcount Enrollment by Area of Origin  
at Time of Admission or Readmission**

<b><u>Area</u></b>	<b><u>Fall 2008</u></b>	<b><u>Fall 2009</u></b>	<b><u>Fall 2010</u></b>	<b><u>Fall 2011</u></b>	<b><u>Fall 2012</u></b>
Florida	42,781	41,958	41,115	40,852	40,674
New York	542	495	461	430	450
Georgia	585	536	509	464	487
Virginia	311	268	282	270	300
Texas	318	320	328	312	325
Pennsylvania	291	275	265	259	253
California	341	310	315	308	326
New Jersey	257	202	208	205	218
All other states	<u>3,197</u>	<u>3,051</u>	<u>2,994</u>	<u>2,993</u>	<u>2,965</u>
USA Total	48,623	47,415	46,477	46,033	45,998
Not Residing in U.S. <sup>1</sup>	<u>3,489</u>	<u>3,429</u>	<u>3,639</u>	<u>3,752</u>	<u>4,088</u>
Total Enrollment	<u>52,112</u>	<u>50,844</u>	<u>50,116</u>	<u>49,785</u>	<u>50,086</u>

<sup>1</sup> United States citizens not residing in the United States at the time of their admission or readmission.

*Student Recruitment.* The University of Florida Office of Admissions is responsible for recruiting and enrolling a student body consisting of nationally outstanding academic talent. Students for whom intense study with faculty in seminars and tutorials will have rich personal meaning are recruited. The annual national campaign to recruit and enroll the fall class involves creating and updating publications; communicating with prospective students through direct mail and telecounseling campaigns; traveling to selected secondary schools, college fairs, Florida colleges, and national and regional professional meetings of college placement counselors and admissions officers; and hosting University open houses for prospective students and their families. Affirmative action efforts include special mailings to minority students, traveling to different locations to participate in various minority programs and hosting on-campus events for students and counselors.

*Student Quality Indicators.* The following table shows the mid 50% range of high school grade point averages (GPA), Scholastic Aptitude Test (SAT) scores and American College Test (ACT) scores for first-time-in-college students at the University for the past five fall semesters.

**Student Quality Indicators  
For First-Time-In-College Students**

<b><u>Fall</u></b>	<b><u>High School GPA's</u></b>	<b><u>SAT Scores*</u></b>	<b><u>ACT Scores**</u></b>
2008	3.9 – 4.3	1160 – 1380	25 – 30
2009	3.9 – 4.3	1140 – 1360	26 – 31
2010	3.9 – 4.4	1170 – 1360	26 – 30
2011	4.1 – 4.4	1830 – 2090***	28 - 32
2012	4.0 – 4.4	1810 – 2080	27 – 29

\* Recentered SAT scores.

\*\*Enhanced ACT scores.

\*\*\*Beginning in 2011, the maximum score is 2400 rather than 1600, as students are now required to report scores on all three sections of the test rather than just two sections as previously required.

The following table shows the degrees awarded to the students at the University of Florida over the past four years.

### Degrees Granted by Discipline

Discipline	<u>2008-09</u>				<u>2009-10</u>				<u>2010-11</u>				<u>2011-12</u>			
	<u>B</u>	<u>S/M</u>	<u>P</u>	<u>D</u> <sup>1</sup>	<u>B</u>	<u>S/M</u>	<u>P</u>	<u>D</u> <sup>1</sup>	<u>B</u>	<u>S/M</u>	<u>P</u>	<u>D</u> <sup>1</sup>	<u>B</u>	<u>S/M</u>	<u>P</u>	<u>D</u> <sup>1</sup>
Agricultural and Life Sciences	1,096	215	-	81	1,240	208	-	121	1,183	216	-	113	1,201	204	-	98
Business Administration	1,424	993	-	20	1,386	973	-	19	1,148	1,064	-	11	1,122	1,088	-	10
Dentistry	-	15	81	-	-	16	91	-	-	12	83	-	-	14	82	-
Design, Construction and Planning	274	98	-	3	286	141	-	10	252	161	-	6	231	163	-	15
Education	210	469	-	62	197	510	-	50	159	551	-	62	140	440	-	69
Engineering	971	787	-	179	982	879	-	227	957	875	-	230	1,041	965	-	207
Fine Arts	247	63	-	6	283	55	-	4	245	69	-	11	225	80	-	10
Health and Human Performance	610	74	-	17	547	96	-	11	518	104	-	16	538	128	-	11
Journalism and Communications	711	60	-	14	769	67	-	17	617	48	-	10	630	55	-	18
Law	-	109	424	-	-	125	377	2	-	114	381	-	-	114	334	-
Liberal Arts and Sciences	3,243	256	-	189	3,220	275	-	205	3,095	236	-	229	2,995	235	-	193
Medicine	-	18	124	47	-	24	130	56	-	18	127	37	-	9	134	47
Nursing	210	106	-	22	187	133	-	36	159	47	-	29	203	67	-	38
Pharmacy	-	113	474	15	-	126	483	14	-	181	484	13	-	168	461	14
Physician Assistant Program	-	59	-	-	-	59	-	-	-	58	-	-	-	58	-	-
Public Health & Health Professions	210	152	-	177	205	147	-	174	327	174	-	165	275	182	-	121
Veterinary Medicine	-	<u>33</u>	<u>84</u>	<u>9</u>	-	<u>28</u>	<u>89</u>	<u>12</u>	-	<u>20</u>	<u>87</u>	<u>5</u>	-	<u>25</u>	<u>84</u>	<u>8</u>
<b>TOTAL</b>	<b>9,205</b>	<b>3,620</b>	<b>1,187</b>	<b>841</b>	<b>9,302</b>	<b>3,862</b>	<b>1,170</b>	<b>957</b>	<b>8,660</b>	<b>3,948</b>	<b>1,162</b>	<b>936</b>	<b>8,601</b>	<b>3,995</b>	<b>1,095</b>	<b>859</b>

<sup>1</sup> Includes Ed.D, AUD, DPM, DPT and DNP degrees.

Note: B= Baccalaureate Degree, M= Master's Degree, S= Specialist, P=Professional Degree, D= Doctoral Degree.

### Faculty

The University has 2,863 full-time "ranked" faculty. They include nationally and internationally recognized scholars, some of the most cited scientists in the world, members of the National Science Foundation Board, the National Academy of Science, National Academy of Engineering, the Institute of Medicine and their respective international counterparts. Some of the distinctive honors that have been bestowed upon the University's faculty include the Pulitzer Prize, the National Science Foundation's Presidential Young Investigator Award and the Fulbright and Guggenheim Fellowships.

### Faculty Data

<u>Year</u>	<u>Full-Time Faculty</u> <sup>1</sup>	<u>Part-Time Faculty</u> <sup>1</sup>	<u>Tenured Faculty</u> <sup>2</sup>	<u>Faculty with Terminal Degrees</u> <sup>3</sup>	<u>Student/Faculty Ratio</u> <sup>4</sup>
2007-08	3,982	233	1,940	2,979	21.7/1
2008-09	3,882	216	1,866	2,935	20.3/1
2009-10	3,790	232	1,851	2,856	20.4/1
2010-11	3,801	235	1,816	2,899	20.5/1
2011-12	3,890	248	1,814	2,843	20.5/1

<sup>1</sup> Faculty is salaried regular appointments and does not include adjunct faculty. Librarians and Development Research School employees on faculty lines have been excluded.

<sup>2</sup> Tenured faculty includes service professors with tenure.

<sup>3</sup> The number of terminal degrees represents faculty members with highest degree in their field.

<sup>4</sup> Student/Faculty ratio is derived from annual student FTE and 9 and 12 month school/college faculty FTE for each year.

## Staff

The University as of January 30, 2013 employed the following personnel:

<u>Pay Plan/Type</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Total</u>
Faculty <sup>1</sup>	4,502	852	5,354
TEAMS	6,980	154	7,134
USPS (Support Personnel)	1,110	12	1,122
Graduate Assistants	1,172	4,071	5,243
Post-Docs	649	27	676
OPS	1,784	6,436	8,220
Lab School	82	2	84
Librarians	88	2	90
Total Employees	16,367	11,556	27,923

<sup>1</sup> Includes OPS faculty, extension agents, adjunct faculty, administrative faculty, support faculty, and regular faculty.

## Division of Student Affairs

As an integral part of the academic mission of the University of Florida, the Division of Student Affairs educates students to assume roles of leadership, involvement and service in a global community. The Division plays a vital role in creating and maintaining a healthy campus environment through services, programs and innovative learning experiences beyond the classroom.

The Division of Student Affairs has administrative responsibility for the following functional areas: Career Resource Center, Center for Leadership and Service, Counseling and Wellness Center, Dean of Students Office, Florida Opportunity Scholars Program, Gatorwell Health Promotion Services, Housing and Residence Education, Multicultural and Diversity Affairs, Off Campus Life, J. Wayne Reitz Union, Student Activities and Involvement, Recreational Sports, and Student Legal Services.

Through its various departments, the Division of Student Affairs sponsors several university-wide programs, activities, and services for students. These include programs for transitioning new students, such as Convocation, the Common Reading Program, and Preview (orientation); programs to support student success such as Career Showcase, the Health Hut, and intramural sports; and activities to enhance the student experience such as living-learning communities in the residence halls, community service opportunities, and involvement through more than 900 registered student organizations. Additionally, the Dean of Students Office and the Counseling and Wellness Center provide assistance for students in distress.

The Florida Opportunity Scholars Program is an initiative that was created in 2006 to ensure first-generation students from low income families have the resources they need to be academically successful at the University of Florida (UF). Admitted UF students whose annual family income is less than \$40,000 are eligible for the program. Students in the program are able to graduate at the same rate, or in some cases faster, than the university's overall graduation rate due to the financial and personal support from UF. There are approximately 1,400 students on campus each year who are current Florida Opportunity Scholars.

## Endowments and Fund Raising Efforts

The University of Florida Foundation, Inc. (the "Foundation") is a not-for-profit, tax exempt organization responsible for receiving, investing and administering private support for the University of Florida.

Created in 1934 as the "University of Florida Endowment Corporation," its scope and role expanded during the 1950's until the Foundation became the principal fund-management and fund-raising arm of the university. In 1964, the Board of Regents and the State of Florida certified the "University of Florida Foundation" as a direct support organization for the University of Florida. The Foundation is designated a charitable organization under section 501(c)(3) of the Internal Revenue Code.

Currently, the University of Florida receives about one-third of its annual operating budget from State tax and lottery revenues. Other sources of University of Florida income are tuition and fees; grants and contracts; income from operations and services; the spendable income from the endowment and private gifts.

In Fiscal Year 2011-12 the University received \$173 million in voluntary private contributions. As of June 30, 2012, the total private endowment at the Foundation was \$1.26 billion, while the total value of the assets managed by the Foundation was approximately \$1.7 billion. The Foundation provided the University with \$93 million in spendable income from gifts and endowments in Fiscal Year 2011-12.

The Foundation and the Office of Development and Alumni Affairs were responsible for the University's comprehensive seven-year capital campaign to strengthen University performance in strategic areas. The campaign began in July 2005 and concluded in October 2012. Generating \$1.72 billion in private commitments from out-right gifts, pledges, gifts-in-kind, and deferred estate gifts, the University exceeded its \$1.5 billion goal.

Private support increasingly is becoming important to the sustained quality of major public universities. The campaign for the University of Florida will strengthen an important partnership among the State's premier public research university and its constituents.

The Foundation and the Office of Development and Alumni Affairs support several programs through which University of Florida alumni and friends can participate in the life of a great institution.

- The University of Florida President's Council recognizes individuals, couples and organizations that support the University with a cumulative lifetime gift of \$100,000.
- The Annual Fund drive, called the Florida Fund, offers donors the opportunity to contribute to a wide range of academic programs and purposes on campus, annually.
- There are more than 102 University of Florida Gator Clubs which help recruit students, fund scholarships and provide links to the University and to other University of Florida alumni and friends - 51 of these clubs exist outside of Florida, including 11 overseas.

The table below sets forth financial information relating to the University of Florida Foundation, Inc. for the Fiscal Years 2007-2008 through 2011-12. The increase in liabilities from FY 2008-2009 relates to the UF Foundation obtaining notes payable for the construction of a University administration building and the construction of two additional University buildings. The large fluctuations in revenues are directly related to the fluctuations of investment income in the endowment. The financial markets have fluctuated greatly over the last five years.

<u>Fiscal Year</u>	<u>Assets*</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Expenditures</u>
2007-08	1,617,311,343	48,035,754	195,546,177	116,785,361
2008-09	1,376,229,033	45,364,413	(59,216,620)	158,685,253
2009-10	1,510,515,496	73,757,696	232,757,769	124,664,535
2010-11	1,711,205,997	78,854,726	317,631,840	131,943,241
2011-12	1,694,623,812	70,003,110	125,601,298	123,039,694

\* Includes amounts held by the Foundation for the University of Florida.

Gifts received by the University of Florida Foundation are shown by restriction and giving program in the table below for the past five Fiscal Years. In Fiscal Year 2007-2008 the Foundation received \$27.1 million in revenue from the State of Florida Gift Matching Program. The Gift Matching Program was temporarily suspended in 2011 and no further distributions from the program have been received since 2008. In Fiscal Year 2008-2009 the Foundation received two large gifts-in-kind. They have not received any large gifts-in-kind donations of that magnitude since. It is anticipated that gifts will remain around \$100 million over the next few years, but this will be subject to the overall financial markets which impacts their donors. They anticipate the annual gifts to increase when the University capital campaign begins, (date is TBD) but that is at least two to three years away.

**Gift Report**  
**Current Receipts and Deferred Additions by Restriction and Giving Program**  
**For the Twelve Month Period Ended June 30**

<b>Giving Program</b>	<b><u>2007-08</u></b>	<b><u>2008-09</u></b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>
Total Unrestricted Gifts	\$201,285	\$189,581	\$237,606	\$193,821	\$175,981
Total Restricted Gifts	85,029,680	84,137,655	74,837,239	61,434,963	53,983,322
Total Endowments	<u>60,093,756</u>	<u>46,371,956</u>	<u>30,607,907</u>	<u>44,731,498</u>	<u>46,275,602</u>
<b>Total Gifts Received</b>	<b>\$145,324,721</b>	<b>\$130,699,192</b>	<b>\$105,682,752</b>	<b>\$106,360,282</b>	<b>\$100,434,905</b>

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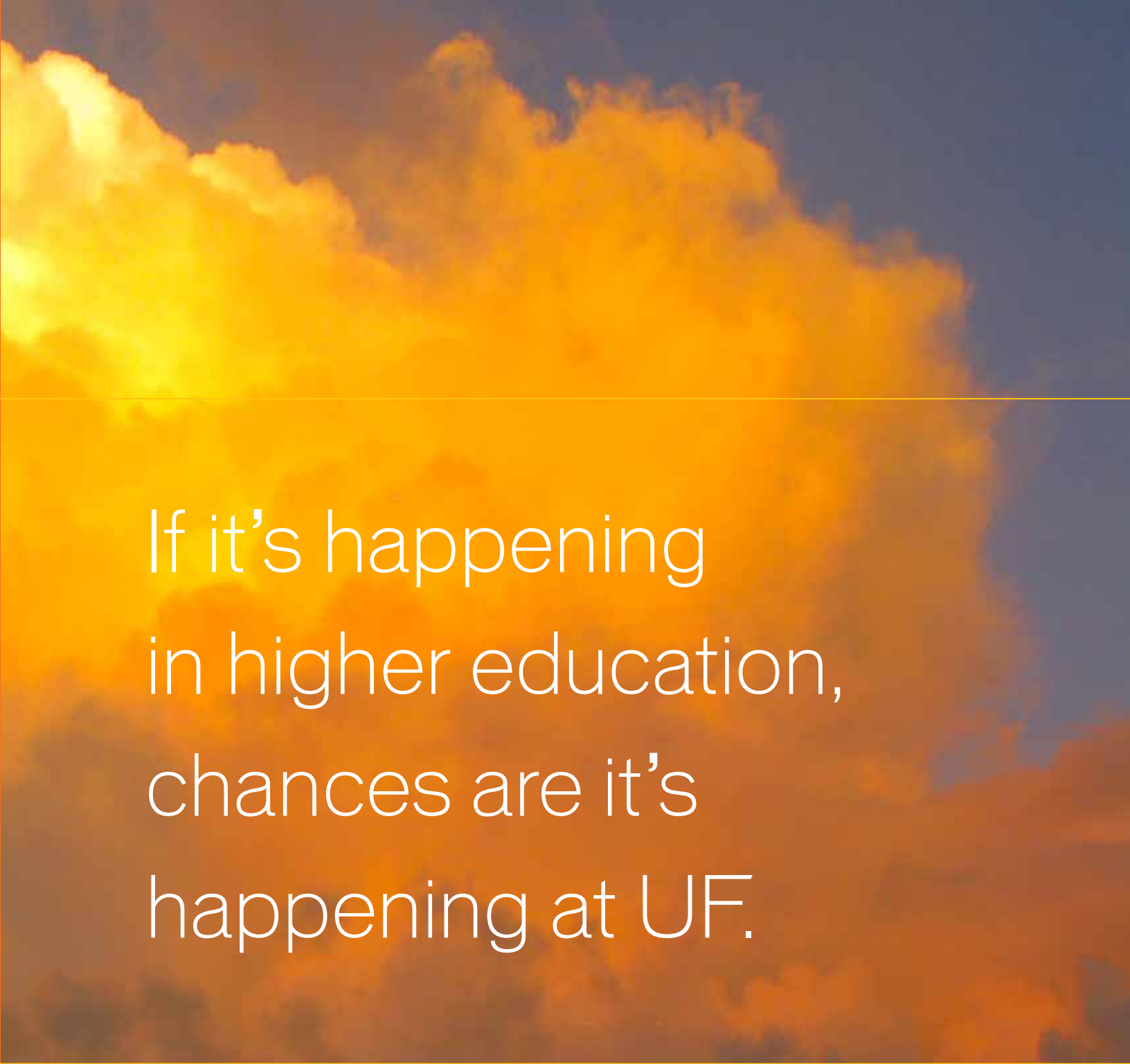
University of Florida Annual Financial Report 2011-2012





## **Higher education has never been more critical to the future of this State, our country and the world.**

Our great land-grant universities have a tremendous impact on the way we all experience our lives. As one of only six public research universities in the Nation with colleges of medicine, law, agricultural sciences and veterinary medicine on a single campus, the University of Florida is among the Nation's most academically and scientifically diverse.



If it's happening  
in higher education,  
chances are it's  
happening at UF.

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# President's Message



**J. Bernard Machen**

President, University of Florida

**As the year draws to a close, the pressures facing higher education have rarely been greater.**

Concerns about sky-high student debt and graduates who are unable to find jobs continue to mount. Economically strapped states are divesting from their public universities. Internet startups are offering free online classes that are seen as possible competitors to those of traditional bricks-and-mortar institutions.

All of these circumstances would seem to pose significant threats to the University of Florida. To be sure, Florida's only top-20 public research university faces its share of challenges. But after nearly a decade of growth and change, UF is one of the nation's most comprehensive universities – with strengths ranging across the higher education spectrum. As a result, our University is better equipped than many peer universities to prosper in these uncertain times.

This is especially clear when it comes to the two most talked-about issues in higher education today – high tuition and student debt, and graduates' employability.

In a year when President Obama decried tuition increases in his State of the Union address, UF's annual tuition remained among the lowest of all public research universities in the nation – \$6,143 for 2012. Additionally, UF ranks No. 1 among the 59 U.S. public universities in the Association of American Universities in the least student debt at graduation. Indeed, just 38 percent of our graduating class of 2010-11 graduated with education-related debt.



Even in uncertain times, UF remains steadfast in continuing to offer expanded access to higher education across the State of Florida, remarkably competitive value and an unwavering dedication to conduct the highest level of research.





To be sure, UF's affordability has serious shortcomings when it comes to operating the University, and we will continue to seek tuition increases. But at this moment in history – when affordability is such a key issue for families and public policy makers – it is an asset that maintains UF's tradition of keeping its doors open to students from all walks of life.

Parents and students concerned about debt are also understandably concerned about whether graduates can find jobs. UF's mission is much broader than workforce preparation. But several indicators suggest our performance in this area is excellent as well.

UF's first-ever university-wide exit survey of graduating students – conducted

this spring amid a continued lackluster economy – found that nearly two-thirds of those who planned to enter the workforce had already accepted a full-time position before graduation. We learned that the College of Engineering is the source of the third-largest number of engineer hires at corporate giants Intel and ExxonMobil. And media organizations from The Today Show to Smart Money singled out UF as an excellent choice for career-minded students.

While student debt and workforce preparation have been recent lightning rods, State budget cuts to universities are an ongoing concern – with UF losing one-third of its State of Florida allocation from fiscal year 2007-08 through fiscal year 2012-13.

We have made up for the loss through

The University of Florida's offering of scholarships is where the roads to access and value intersect. In addition to the Office for Student Financial Affairs, scholarships are available in other departments, offices, individual colleges and schools throughout the University.



Spring 2013 welcomes the first enrollees to UF's Innovation Academy, which gives students a small-college experience focused on innovation, creativity, entrepreneurship, ethics, and leadership on a unique spring-summer calendar.

Research at the University of Florida continues to gather momentum, despite substantial economic challenges. More than 100 biotechnology companies have emerged as a result of UF research. UF faculty average an impressive 300 new inventions each year.

increased operational efficiencies, sound budgeting, and limited tuition increases. This year, we received a significant additional boost with the successful conclusion of Florida Tomorrow, UF's largest and most ambitious capital campaign ever.

Some 865,000 generous donors helped Florida Tomorrow top \$1.7 billion – clearing the campaign's original goal by more than \$200 million. Those dollars will not contribute directly to UF's operating budget, but they will help the University support faculty, programs, and facilities amid what is at best an uncertain future of public funding.

Another growing source of income is the patenting and licensing revenue from UF-developed technologies. The University's innovations brought home \$34 million in the most recent fiscal year – all of it reinvested in UF startups and other elements of our innovation operation. We anticipate that our patenting and licensing income will continue to grow as UF's new business incubator, the Florida Innovation Hub, matures – and as established UF startups grow.

Nationally, other higher education issues range from the growth of distance learning to Federal research budgets that are essentially flat, threatening a key source of income.

UF is on solid ground in both arenas. We continue to grow our traditional online presence, now offering more than 100 degree programs that enroll approximately 7,000 students worldwide. At the same time, we became part of the rapidly evolving world of “massive open online courses” this spring when we joined Coursera, one of the leading providers of free and open online courses.

As for research, after nearly a decade of campus growth, we have 600,000 square feet of labs, greenhouses and other new basic research space. This past year, research contracts and grants to UF faculty soared from \$619.1 million to \$644.4 million, an increase of 4 percent and an all-time high in terms of regular funding.

There is no question that the higher education landscape is undergoing rapid change and that the University of Florida will face significant challenges in the years ahead. But with our continued emphasis on access, value, and research — three areas of the greatest change in higher education nationwide — we are well-prepared to continue to grow and prosper.

J. BERNARD MACHEN

*President, University of Florida*



**The University of Florida, despite competition from an exponentially growing number of four-year institutions, continues to garner more than its fair share of the State's and Nation's finest students.**

to rise as well. Each year, UF averages 29,000 undergraduate applications for just 6,400 spots in the freshman class.

Just as other universities have realized the value of placing an increased emphasis on diversity and internationalization, UF continues to attract students from around the world. UF admitted 1,375 International

# It's happening with access.



EVERY INSTITUTION IN HIGHER EDUCATION would like to tout its students as the “best and the brightest.” Likewise, the best students have a strong desire to attend the finest universities. More than 90 percent of incoming freshmen score above the national average on standardized exams. The demand for a UF education continues

Baccalaureate students last year — more than any other university in the U.S. Sixty-six Florida counties, every state in the nation and nearly 140 countries are represented in the UF student body. This continuously expanding internationalization provides a remarkably rich experience, exposing students to a variety of cultures and thereby

providing a greater understanding and appreciation of different ways of life.

Economic diversity is also reflected within the UF student body, thanks largely in part to the Florida Opportunity Scholars Program. Initiated with the 2006-07 school year, the program provides full grant/scholarship financial aid packages,

Once UF students arrive on campus, they tend to stay, as evidenced by our 96 percent freshmen retention rate – among the highest in the country – as well as our outstanding 65 percent 4-year and 83 percent 6-year graduation rates.

Personal access to educators is a growing concern for college students throughout

the nation. By lowering our student/faculty ratio to 20.5: 1, we're making it possible for there to be more interaction.

For those students seeking to acquire a quality education off-campus, UF has a burgeoning distance learning online degree program. Ten years ago, the UF MBA Program was one



For UF, access includes our online MBA Program, offering one of the first fully accredited online degrees, and the Florida Opportunity Scholars Program, which enables deserving scholars to become Gator Scholars.



# 96%

**UF's freshman retention rate is among the highest in the country.**

# 16

colleges on one campus and over 150 centers and institutes make UF one of the most comprehensive universities in the nation.

# 35%

of University of Florida undergraduates, 11,280 students, received Federal Pell Grants in 2011-12.

From heavily Hispanic Miami-Dade county to ethnically rich Tampa-St. Petersburg and Orlando, Florida is a highly diverse, multicultural state.

UF has a strong commitment to diversity.

# 17.5%

of UF undergraduates are Hispanic

# 8.7%

of UF undergraduates are African-American

including living expenses, to UF freshmen who are Florida residents and come from families in which neither parent holds a bachelor's degree and whose annual household income is less than \$40,000. The program's ultimate goal is for students to earn a bachelor's degree and graduate with no student loan debt.

of the first to be offered as a fully accredited online degree. Today we are known as the world's best, as we were ranked No. 1 by *The Economist*. And that is just one of more than 100 doctorate, master's and bachelor's degree distance learning programs we offer, giving a whole new meaning to the phrase "The Gator Nation Is Everywhere."



**“Florida Tomorrow is a better place, a brighter day and a firm belief in the future... because of the rising star that is the University of Florida.”**

— *BERNIE MACHEN, PRESIDENT*

from an entrepreneurial standpoint. The University of Florida is certainly no exception.

UF demonstrated its foresight and drive by launching the Florida Tomorrow capital campaign in 2007, with the ambitious goal of raising \$1.5 billion in private funds by fall 2012. The principal focus of the



A COMMON THREAD IN HIGHER EDUCATION today is the challenge of obtaining legislative funding and support. Because securing approval to adequately increase tuition to necessary levels is also a frequent hurdle, many universities are taking the initiative of becoming more financially independent and approaching the situation

campaign was to help support faculty, students and research. The goal was not only reached, but surpassed at \$1.7 billion.

UF also managed to double its endowment over an eight-year period, increasing from \$585.7 million in June 2003 to \$1.3 billion in June 2011.

Our research contracts and grants totaled \$644.4 million during the last fiscal year. For fiscal year 2003-04, that number was \$470.0 million. This marked increase should be encouraging to anyone who believes in the potential of exploration.

The University itself has grown in size, too. Despite losing a third of our State-

among its peers, having been recognized as the second-best value in public colleges in the U.S. by Kiplinger's *Personal Finance* magazine each of the last seven years. Consequently, nearly two-thirds of UF graduates leave the University with no student loan debt. For the remaining third, their average debt is just under \$17,000,

As a top-20 research university and one of the biggest public universities in the country, UF's commitment to value is reflected in our tuition and endowment, student loan debt loads, and many prestigious national rankings.

**\$6,143**

yearly tuition and fees are among the lowest in the nation

**2nd Best**

value in public colleges each of the last 7 years

Kiplinger's *Personal Finance* magazine

**\$1.3 billion**

UF's endowment after doubling in size from 2003 to 2011

**6th**

PayScale.Com's list of universities that offer the best return on investment

**60+%**

of UF graduates leave the University with no student loan debt

**2nd**

Universities providing the best return on their tuition

SmartMoney magazine

allocated dollars over the six most recent fiscal years, UF has expanded its reach both literally and financially, with 3 million square feet of new construction since 2004, an annual economic impact approaching \$9 billion and more than 106,000 jobs statewide.

The University of Florida remains highly competitive in terms of affordability

compared with the national average of more than \$25,000.

In all the ways we value and support higher education, and as they evolve, the University of Florida is looking ahead with the goal of creating the most impact possible – for our students and the people of the State of Florida.

**Opportunities, challenges, exploration, discovery. Higher education embraces them all. More than ever, our leading universities clearly not only reflect what is going on in the nation but profoundly influence how we go about our daily lives. Nowhere is that more evident than at the University of Florida.**

number of buildings and laboratories that have been constructed .

Since 2003, UF has added four major research facilities that cover 600,000 square feet: The Nanoscale Research Facility, the Emerging Pathogens Institute, the Biomedical Sciences Building, and UF's largest research building, the Cancer and

# It's happening in research.



SIMPLY LOOKING AT WHAT THE UNIVERSITY has accomplished over the past ten years should give you an idea of the magnitude of progress we have made and our emphasis on innovation. State-of-the-art facilities and leading-edge technologies are not terms we use casually at UF. Our commitment to continuing our research can be seen in the

Genetics Research Building.

Much has been written about the amount of technology transfer at UF. And for good reason. We are the nation's top public institution in transferring research to the marketplace, according to the Milken Institute. We made our mark commercializing technologies with the



introduction of Gatorade in 1965. And we have been on the right track ever since.

One of the latest examples of tech transfer – Gator-style – is the Florida Innovation Hub at UF, which opened its doors in 2011 as the first building in Innovation Square, a 40-acre, urban, live/work/play research community. By providing resident

“graduate” – or move out of the Innovation Hub – once they become self-sufficient.

UF Tech Connect, an Economic Development Administration University Center housed in the UF Office of Technology Licensing at Innovation Hub, was responsible for creating 230 new jobs last fiscal year alone. Innovation Academy,

a unique spring-summer program will eventually enroll 2,000 students and increase their access to the University.

As the demand for food, water and natural resources grows right along with the population, so does the need for research to address these pressing concerns. The University of Florida's Institute of Food and Agricultural Sciences (UF/IFAS) is a Federal-State-County partnership dedicated

# \$740m

in R&D expenditures for 2011 represents nearly half of the total for all 11 Florida public universities.

# 28 \$34m

Members of the National Academies are faculty at the University of Florida. The National Science Foundation ranked UF No. 21 for research and development in 2010.

Patenting and licensing income in 2011-12. UF generated 322 new invention disclosures, had 86 patents granted and negotiated 131 licenses and options during that time.

businesses with office space, laboratories, conference rooms and other essential resources, this aptly named facility allows those companies to concentrate on the advancement of technology and marketing strategies. Already, 22 startup businesses are proud to call Innovation Hub home. The ultimate goal for these businesses is to

to developing knowledge in agriculture, human and natural resources, and the life sciences, and enhancing and sustaining the quality of human life by making that information accessible. With an extension office in each of Florida's 67 counties, UF/IFAS is able to work with farmers and address their unique issues.



More than three million sq.ft. of new construction over the past decade includes the Research and Academic Center at Lake Nona (artist's rendering above) and the Emerging Pathogens Institute (below), representing UF's strong commitment to research.



# Knowledge by the Numbers

## Headcount Enrollment by Colleges and Schools – Fall Terms

College/School	2011	2010	2009	2008	2007
Accounting	865	905	871	897	925
Agricultural and Life Sciences	4,955	4,940	4,640	4,557	4,483
Building Construction	391	499	581	616	652
Business Administration	4,681	4,728	4,947	5,539	5,767
Dentistry	389	378	379	389	391
Design, Construction, and Planning	896	899	899	921	935
Division of Continuing Education (A)	179	215	259	275	349
Education	1,749	1,886	1,919	1,940	1,947
Engineering	8,454	8,240	7,880	7,696	7,118
Fine Arts	1,256	1,309	1,284	1,254	1,264
Forest Resources and Conservation	-	-	222	215	222
Health and Human Performance	2,047	2,008	1,908	1,970	2,135
High School	52	47	44	33	52
Interdisciplinary Ecology	116	127	135	131	148
Journalism and Communications	2,540	2,516	2,663	2,957	2,987
Law	1,118	1,191	1,263	1,340	1,422
Liberal Arts and Sciences	12,673	12,817	13,368	14,315	14,364
Medicine	862	853	967	867	850
Multiple-College Program	1	1	2	-	-
Natural Resources and Environment	155	154	158	142	122
Nursing	1,170	1,090	1,188	1,160	1,111
Pharmacy	823	836	761	689	656
Pharmacy Doctor	1,686	1,752	1,891	1,841	1,913
Physician Assistant Program	119	119	119	119	121
Public Health & Health Professions	2,122	2,139	1,971	1,803	1,881
Veterinary Medicine	542	530	525	507	520
<b>SUB-TOTAL</b>	<b>49,841</b>	<b>50,179</b>	<b>50,844</b>	<b>52,173</b>	<b>52,335</b>
<b>Minus Concurrent Degree</b>	<b>56</b>	<b>63</b>	<b>60</b>	<b>61</b>	<b>64</b>
<b>TOTAL</b>	<b>49,785</b>	<b>50,116</b>	<b>50,784</b>	<b>52,112</b>	<b>52,271</b>

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

Source: Office of Institutional Planning and Research - UF Facts

## Degrees Awarded by Type of Degree

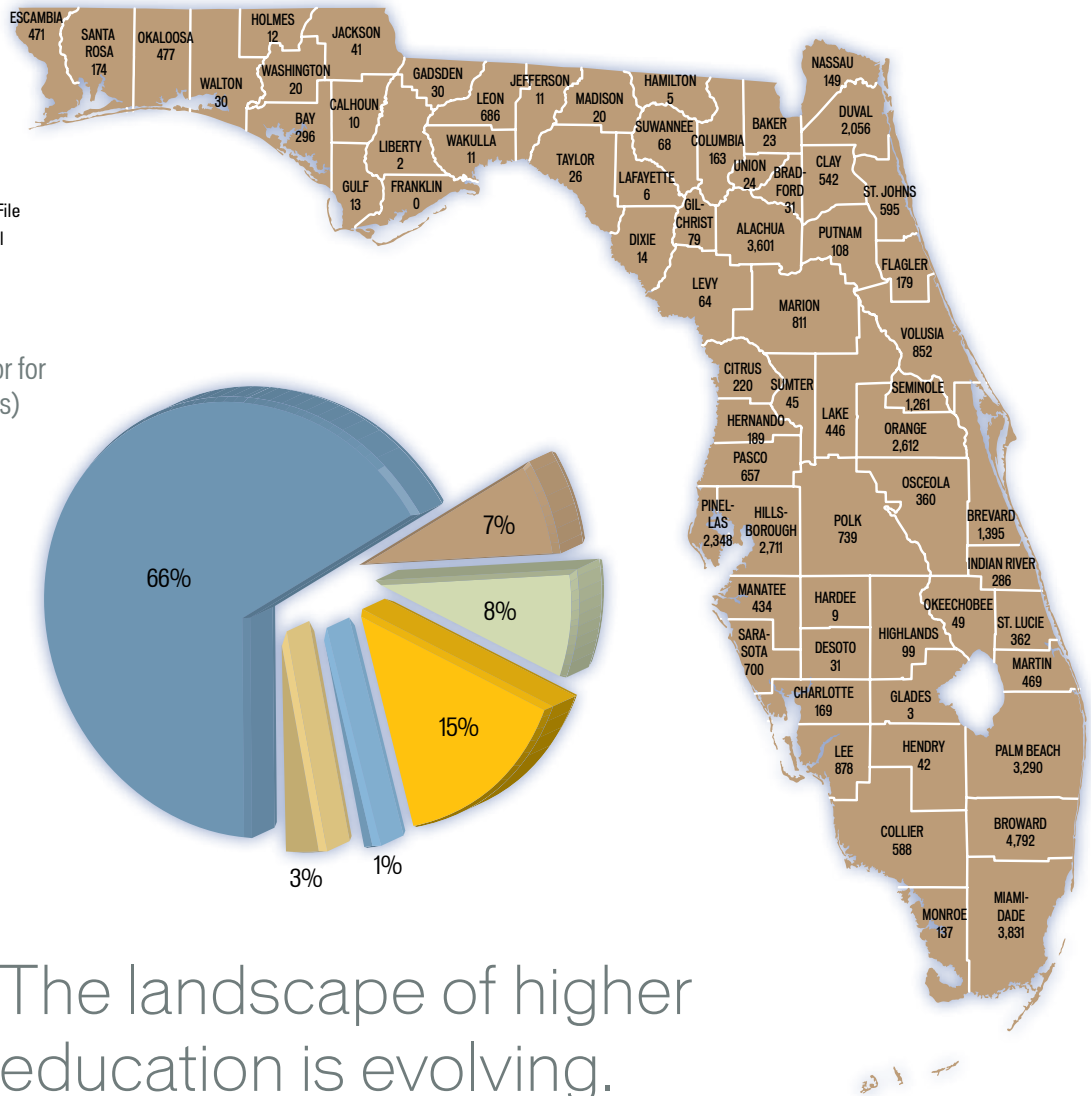
Degree	2011-12	2010-11	2009-10	2008-09	2007-08
Bachelor's	8,600	8,685	9,302	9,207	8,737
Master's	3,924	3,878	3,751	3,546	3,337
Doctor of Philosophy	859	936	957	841	857
Doctor of Pharmacy	461	484	483	474	492
Juris Doctor	334	410	377	424	488
Doctor of Medicine	134	127	130	124	115
Doctor of Dental Medicine	82	83	91	81	72
Doctor of Veterinary Medicine	84	87	89	84	83
Specialist in Education	71	70	111	73	61
Engineer	-	-	-	1	2
<b>TOTAL</b>	<b>14,549</b>	<b>14,760</b>	<b>15,291</b>	<b>14,855</b>	<b>14,244</b>

Source: UF Office of Institutional Planning and Research

## In-State Enrollment by County - Fall 2011

Total In-State Enrollment:  
40,852

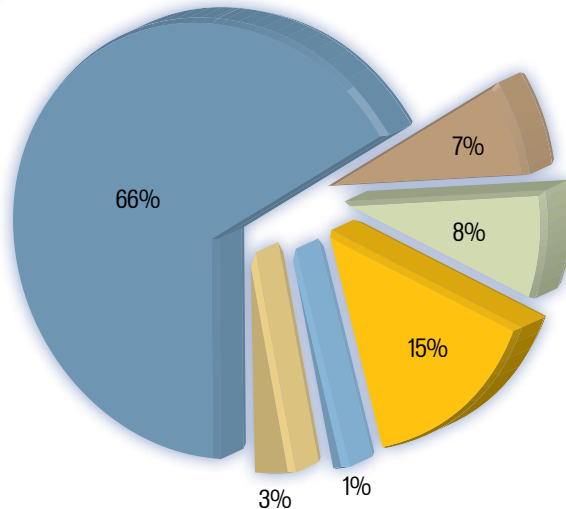
Source: Fall Final Student Data Course File  
Prepared by the UF Office of Institutional  
Planning & Research



## Research Awards by Sponsor for 2011-12 fiscal year (in millions)

- Federal Agencies  
\$423,115,544
- Florida State Agencies  
\$42,045,915
- Corporations & Companies  
\$54,537,922
- Foundations & Societies  
\$96,019,679
- Local & Regional  
\$6,465,707
- All Other Sources  
\$22,200,064

**TOTAL**  
**\$644,384,831**



## The landscape of higher education is evolving.

Because of our relentless commitment to access, value, and research, one thing is clear: *If it's happening in higher education, chances are it's happening at UF, right now, and moving forward.*

The nation's universities must continue to adapt in order to retain their relevance and achieve their individual missions.

The University of Florida will always welcome the challenges and opportunities that a modern major research institution encounters, and prove just how much progress can be made under a variety

of circumstances.

We will continue to provide students access to an outstanding learning experience. Our ongoing focus on creative and aggressive funding efforts will keep adding value. And raising the bar in research will remain a UF priority.

We've created an environment of self-assurance and a growing innovation enterprise, both of which are reflected not just on campus, but also among businesses, leaders and jobs throughout the State.



I AM PLEASED TO PRESENT THE UNIVERSITY of Florida's Annual Financial Report for the fiscal year ended June 30, 2012. This report provides useful information concerning the University's financial position and activities for the year. The Management Discussion and Analysis, the financial statements and the notes to the financial statements document the University's financial success and health for this year.

It is a testament to the University of Florida's leadership, faculty, staff, and students that we had a successful year. The University of Florida is resilient. Despite six straight years of declining State appropriations, budget cuts and a sluggish economy, the University continues to adapt and transform itself to meet the needs of its

students and its mission.

During the six most recent fiscal years, State of Florida appropriations have declined by 30.5%, or \$202 million. In an effort to mitigate those losses, we have increased operational efficiencies, held true to sound budgeting principles, and had limited tuition increases. Tuition has increased \$125 million since fiscal year 2007-08. The tuition increases helped, but they did not cover the remaining \$77 million in lost State support.

Even with the tuition increases, the University continues to be a great value for the investment and among the lowest for cost of attendance of all public research universities nationwide. Additionally, despite the tuition increases, only 38 percent of our graduating class of 2010-11





graduated with education-related debt.

The University strives to maintain its beautiful and historic campus while the State of Florida has significantly reduced the amount of support for capital projects, including Public Education Capital Outlay (PECO) funding, available to the University. In addition, State facility and operating matching programs have been suspended.

Without capital funding, other significant resources were diverted from other uses in order to maintain the facilities necessary for fulfilling instruction, research and clinical needs. During the 2011-12 fiscal year, Student Housing issued the 2011A Housing debt to refinance the 1998 Housing debt and issued new 2012 Housing debt for 14 different renovation projects in the dormitories.

Buildings that were completed illustrate the University's diverse nature. Completed projects include Florida Innovation Hub at UF, Harn Museum Asian Art Wing, Veterinary Education & Clinical Research Center, and Cellulosic Ethanol Plant.

Continuing construction projects further illustrate the important work being done by the University. The Lake Nona Research Facility and the Clinical Translational Research Building joined with the Institute on Aging Research Building will be completed in 2013. The P.K. Yonge Developmental School and the East Campus

Data Center are exciting projects that are also in progress. As you will see in Table 20, Construction Commitments, the number of projects and the dollars committed have significantly declined as the University winds down projects previously funded through the State.

The Office of the Vice President and Chief Financial Officer will continue to enhance the Responsibility Center Management budget process. A major upgrade to the Payroll and Human Resources system went live September 18, 2012. We will continue to utilize technology to stay current and improve efficiencies. While we continue to be challenged to do more with less, we remain committed to effectively managing the University's assets and facilitating the business needs as this University continues its move to being the best it can be.

Matthew M. Fajack  
Vice President and  
Chief Financial Officer





DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors. The prior fiscal year partial comparative information was derived from the University's 2010-11 financial statements and, in our report dated March 19, 2012, we expressed an unqualified opinion on the respective financial statements.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Florida and of its aggregate discretely presented component units as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

The financial statements include prior fiscal year partial comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the fiscal year ended June 30, 2011, from which the partial information was derived.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The President's Message, the University of Florida Overview, the Introduction from the Vice President and Chief Financial Officer, and the supplemental information for financial aid administered, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The President's Message, the University of Florida Overview, the Introduction from the Vice President and Chief Financial Officer, and the supplemental information for financial aid administered have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully submitted,



David W. Martin, CPA  
December 13, 2012  
Audit Report No. 2013-063





# Management's Discussion and Analysis

*From the Vice President and Chief Financial Officer*

## INTRODUCTION AND BACKGROUND

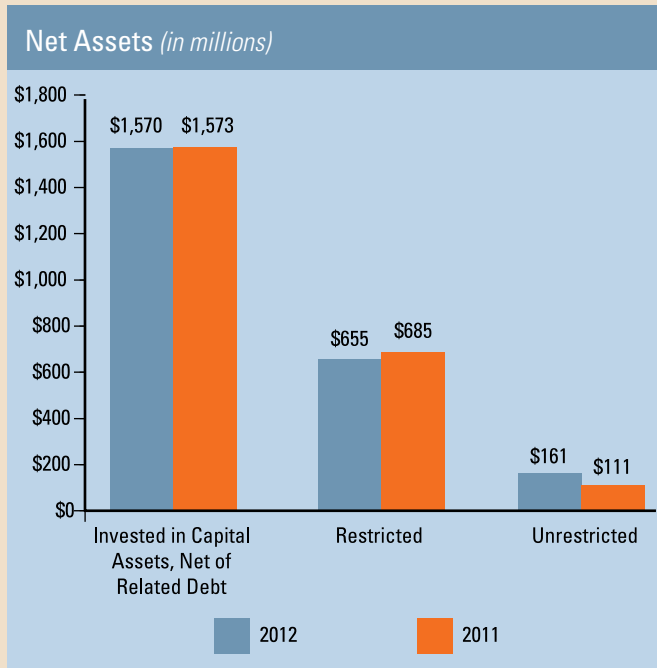
The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida (the University) for the fiscal year ended June 30, 2012, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

## FINANCIAL HIGHLIGHTS

The University's assets totaled \$2.99 billion at June 30, 2012. This balance reflects a \$14.8 million, or 0.5%, decrease from the 2010-11 fiscal year. The reduction in assets primarily resulted from a decrease in the amount Due From State as several large construction projects have been completed. While total assets declined, liabilities also declined by \$31.8 million or 5.0%, totaling \$606.3 million at June 30, 2012. The net decrease in liabilities is due primarily to a decrease of \$80.1 million in Compensated Absences Payable as a result of revised regulations for vacation and sick leave cash outs; increase in Postemployment Benefits Payable of \$36.4 million; and an increase in Capital Improvement Debt Payable of \$21.8 million to renovate housing dormitories. As a result, the University's net assets increased by \$17.0 million, or 0.7%, reaching a year-end balance of \$2.4 billion. Net assets

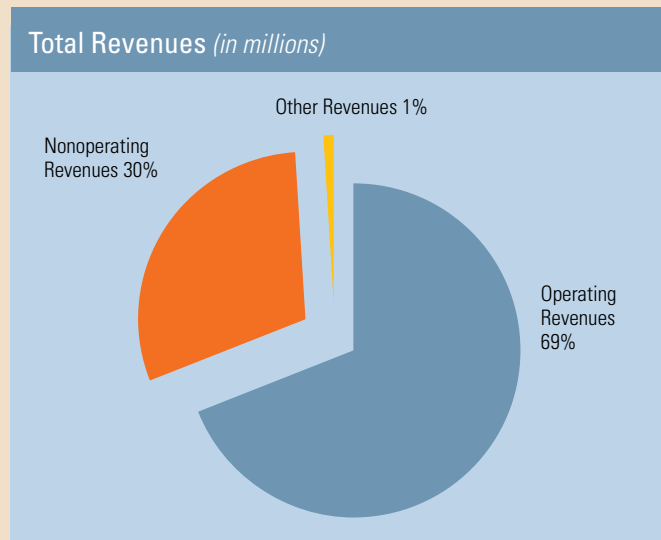


represent the residual interest in the University's assets after deducting liabilities. The University's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following chart:



The University's operating revenues totaled \$1.6 billion for the 2011-12 fiscal year, representing a 1.6% increase over the 2010-11 fiscal year. Major components of operating revenues are Student Tuition and Fees and Grants and Contracts. Student Tuition and Fees, Net of Scholarship Allowances, increased \$44.4 million, or 16.1%, because of tuition and fee increases. Nongovernmental Grants and Contracts revenue decreased by \$25.0 million, or 4.0%, because certain transfers from component units were determined to be nonexchange transactions and are reported as nonoperating revenue.

The following chart provides a graphical presentation of the University's revenues by category for the 2011-12 fiscal year:



Operating Expenses totaled \$2.2 billion for the 2011-12 fiscal year, representing a \$76.7 million decrease or 3.3% compared to the 2010-11 fiscal year. The two largest categories contributing to this decrease were Employee Compensation and Benefits, reflecting changes in the University's leave regulations and the reduction in employer retirement contributions, as well as Scholarships, Fellowships and Waivers, Net, reflecting the State's decrease in funding of Bright Futures and decreases in various federally funded scholarship programs.

Net Nonoperating Revenues and Expenses in the 2011-12 fiscal year decreased \$103.5 million primarily due to the changes in capitalization thresholds for certain capital assets, a decrease in Noncapital State Appropriations, a decrease in State and Federal financial aid, and the end of funding under the American Recovery and Reinvestment Act of 2009.



The University had significant construction activity during the year. Completed or substantially completed construction projects included: (1) Cellulosic Ethanol Plant (capitalized costs of \$18.6 million); (2) Harn Museum Asian Art Wing (capitalized costs of \$18.2 million); and (3) Florida Innovation Hub at UF (capitalized costs of \$13.5 million). Construction continues on several major projects, including four that, when finished, will be capitalized at over \$114 million: (1) Lake Nona Research Facility; (2) Clinical Translational Research Building (this project includes the Institute on Aging Research Building); (3) East Campus Data Center; and (4) Chemistry Biology Building.

## OVERVIEW OF FINANCIAL STATEMENTS

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

**Direct-Support Organizations** – These are separate, not-for-profit corporations organized and operated exclusively to assist the University in achieving excellence by providing supplemental resources from private gifts, bequests, and valuable education support services.

**Health Science Center Affiliates** – These are the several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center, including the Faculty Practice Plans.

**Shands Hospital and Others** – This includes Shands Teaching Hospital and Clinics, Inc., a not-for-profit corporation that is contractually obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the Health Science Center at the University of Florida.

Information regarding the discretely presented component units, including summaries of their separately issued financial statements, is presented in Notes 1, 3, 4, 7, 10, 13, and 20 to the financial statements. This MD&A focuses on the University, excluding the component units. MD&A information regarding the component units is included in their separately issued audit reports, if reporting under GASB standards. Component units reporting under Financial Accounting Standards Board (FASB) standards do not include an MD&A in their audit reports.

Based upon the application of criteria for determining component units, the University of Florida Self-Insurance Program (the Program), and the University of Florida Healthcare Education Insurance Corporation (HEIC), are included within the University reporting entity as blended component units. Additional information regarding the blended component units is presented in Note 1 to the financial statements.

The financial statements characterize revenues and expenses as either operating or nonoperating. The principal component of operating revenues is Grants and Contracts (\$1.1 billion). The principal component of operating expenses is Employee Compensation and Benefits (\$1.5 billion). A significant portion of the University's anticipated, recurring resources is considered nonoperating as defined by GASB Statement No. 35. The principal component of nonoperating revenues for the fiscal year ended June 30, 2012, is Noncapital State Appropriations (\$527.9 million). Recurring nonoperating expenses consist primarily of the loss on disposal of capital assets and interest expense on capital related debt for the fiscal year ended June 30, 2012.

Two changes were made by the University in the 2011-12 fiscal year. The first resulted in a new nonoperating revenue category, Noncapital Grants, Contracts, and Gifts (\$81.1 million). Certain transfers from component units which were previously reported as operating Nongovernmental Grants and Contracts, were determined to be nonexchange transactions, and are now reported in this new category. The second was a change to certain of the University's capitalization thresholds effective July 1, 2011. The net amount of \$61.2 million was recorded as Other Nonoperating Expenses and the related assets were removed from the University's accounting records.

## STATEMENT OF NET ASSETS

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

### Condensed Statement of Net Assets (in millions)

	2011-12	2010-11
<b>Assets:</b>		
Current Assets	\$ 1,187.4	\$ 1,200.2
Capital Assets, Net	1,665.7	1,663.3
Other Noncurrent Assets	139.5	143.9
<b>Total Assets</b>	<b>2,992.6</b>	<b>3,007.4</b>
<b>Liabilities:</b>		
Current Liabilities	183.2	200.7
Noncurrent Liabilities	423.1	437.4
<b>Total Liabilities</b>	<b>606.3</b>	<b>638.1</b>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	1,570.4	1,573.2
Restricted	654.7	684.7
Unrestricted	161.2	111.4
<b>Total Net Assets</b>	<b>\$ 2,386.3</b>	<b>\$ 2,369.3</b>

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid. The following table summarizes the University's activity for the 2011-12 and 2010-11 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets <i>(in millions)</i>		
	2011-12	2010-11
Operating Revenues	\$ 1,557.5	\$ 1,532.8
Operating Expenses	(2,244.5)	(2,321.2)
Operating Loss	(687.0)	(788.4)
Net Nonoperating Revenues	682.0	785.5
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5.0)	(2.9)
Other Revenues, Expenses, Gains, or Losses	22.0	75.1
<b>Increase in Net Assets</b>	<b>17.0</b>	<b>72.2</b>
<b>Net Assets – Beginning of Year</b>	<b>2,369.3</b>	<b>2,297.1</b>
<b>Net Assets – End of Year</b>	<b>\$ 2,386.3</b>	<b>\$ 2,369.3</b>

## 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 up or receives something of equal or similar value. The following table summarizes the operating revenues by source that were used to fund operating activities during the 2011-12 and 2010-11 fiscal years:

Operating Revenues <i>(in millions)</i>		
	2011-12	2010-11
Grants and Contracts	\$ 1,056.5	\$ 1,070.5
Student Tuition and Fees, Net of Scholarship Allowances	320.5	276.1
Sales and Services of Auxiliary Enterprises	129.4	136.6
Sales and Services of Educational Departments	47.8	45.6
Other	3.3	4.0
<b>Total Operating Revenues</b>	<b>\$ 1,557.5</b>	<b>\$ 1,532.8</b>

## 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 the natural classifications. The University has chosen to report the expenses in their natural classifications on the Statement of Revenues, Expenses, and Changes in Net Assets and has displayed the functional classifications below and in the notes to the financial statements. The following table summarizes the operating expenses for each method of classification for the 2011-12 and 2010-11 fiscal years:

Operating Expenses <i>(in millions)</i>		
Natural Classifications	2011-12	2010-11
Employee Compensation and Benefits	\$ 1,522.9	\$ 1,583.1
Services and Supplies	446.6	434.2
Depreciation	116.7	126.6
Scholarships, Fellowships and Waivers *	80.8	98.6
Utilities and Communications	65.7	67.7
Self-Insured Claims and Expenses	11.8	11.0
<b>Total Operating Expenses</b>	<b>\$ 2,244.5</b>	<b>\$ 2,321.2</b>
Functional Classifications	2011-12	2010-11
Instruction	\$ 634.1	\$ 662.3
Research	545.3	556.8
Public Service	385.2	359.6
Academic Support	150.8	149.5
Auxiliary Operations	124.5	124.0
Depreciation	116.7	126.6
Institutional Support	107.1	122.7
Operation and Maintenance of Plant	106.7	107.7
Scholarships, Fellowships and Waivers *	53.7	75.9
Student Services	20.4	36.1
<b>Total Operating Expenses</b>	<b>\$ 2,244.5</b>	<b>\$ 2,321.2</b>

\* Net of Scholarship Allowances of \$141.6 million in the 2011-12 fiscal year and \$148.4 million in the 2010-11 fiscal year.

## NONOPERATING REVENUES AND EXPENSES

Certain revenue sources that the University relies on to provide funding for operations, including Noncapital State Appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets.

The University experienced a decrease in appropriations as well as the one-time expense associated with the changes in capitalization thresholds, reported as Other Nonoperating Expenses. While Noncapital Grants, Contracts, and Gifts increased due to the change in reporting certain transfers from component units, the net effect of these changes reduced net nonoperating revenue. The following summarizes the University's nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses) <i>(in millions)</i>		
	2011-12	2010-11
Noncapital State Appropriations	\$ 527.9	\$ 579.1
State Appropriated - ARRA Funds	2.4	30.9
Federal and State Student Financial Aid	116.2	147.3
Noncapital Grants, Contracts, and Gifts	81.1	-
Investment Income, Net of Expenses	24.1	27.5
Increase in Fair Market Value of Investments	2.3	16.8
Loss on Disposal of Capital Assets	(2.6)	(5.3)
Interest on Capital Asset-Related Debt	(5.5)	(4.4)
Other Nonoperating Expenses	(63.9)	(6.4)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>\$ 682.0</b>	<b>\$ 785.5</b>

## OTHER REVENUES, EXPENSES, GAINS, OR LOSSES

This category is composed of Capital State Appropriations and Capital Grants, Contracts, Donations, and Student Fees. The University received dramatically less in Capital State Appropriations due to State budget constraints. The following summarizes the University's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

Other Revenues, Expenses, Gains, or Losses <i>(in millions)</i>		
	2011-12	2010-11
Capital State Appropriations	\$ 6.1	\$ 60.2
Capital Grants, Contracts, Donations, and Student Fees	15.9	14.9
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	<b>\$ 22.0</b>	<b>\$ 75.1</b>

## STATEMENT OF CASH FLOWS

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

Major sources of funds came from Noncapital State Appropriations (\$527.9 million), net student tuition and fees (\$316.4 million), grants and contracts (\$1,043.1 million), and sales and services of auxiliary enterprises (\$117.2 million). Major uses of funds were for payments to employees (\$1,563.1 million), payments to suppliers for goods and services (\$503.1 million), and purchase or construction of capital assets (\$179.5 million). The following table summarizes cash flows for the 2011-12 and 2010-11 fiscal years:

Condensed Statement of Cash Flows <i>(in millions)</i>		
	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	\$ (627.1)	\$ (663.7)
Noncapital Financing Activities	728.6	761.5
Capital and Related Financing Activities	(110.7)	(80.1)
Investing Activities	8.2	(17.1)
<b>Net Change in Cash and Cash Equivalents</b>	<b>(1.0)</b>	<b>0.6</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1.5</b>	<b>0.9</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 0.5</b>	<b>\$ 1.5</b>



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

### CAPITAL ASSETS

At June 30, 2012, the University had approximately \$3.2 billion in capital assets, less accumulated depreciation of \$1.5 billion, for net capital assets of \$1.7 billion. Depreciation charges for the current fiscal year totaled \$116.7 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Total Capital Assets, Net (in millions)			
	2012	2011	
Land	\$ 10.8	\$ 10.8	
Buildings	1,253.3	1,198.1	
Infrastructure and Other Improvements	40.9	40.9	
Furniture and Equipment	190.0	248.1	
Library Resources	58.7	60.2	
Property Under Capital Lease	6.2	6.4	
Computer Software	-	2.2	
Other Capital Assets	4.1	6.0	
Construction in Progress	101.7	90.6	
<b>Total Capital Assets (Non-Depreciable and Depreciable, Net)</b>	<b>\$ 1,665.7</b>	<b>\$ 1,663.3</b>	

*Additional information about the University's capital assets is presented in Note 9 to the financial statements.*

### CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2012, were incurred on the following continuing projects:

Lake Nona Research Facility (\$43.5 million); Clinical Translational Research Building/Institute on Aging Research Building (\$13.5 million); P.K. Yonge Developmental School (\$7.2 million); and Chemistry Biology Building (\$5.1 million).

The University's major capital commitments at June 30, 2012, are summarized below:

Major Capital Commitments (in millions)	
	Amount
Total Commitment	\$ 182.5
Completed to Date	101.7
<b>Balance Committed</b>	<b>\$ 80.8</b>

*Additional information about the University's capital commitments is presented in Note 16 to the financial statements.*

### DEBT ADMINISTRATION

At June 30, 2012, the University had \$131.4 million in outstanding Capital Improvement Debt Payable, Capital Leases Payable, and Installment Purchase Agreements Payable, representing an increase of \$21.5 million, or 19.6%, from the prior fiscal year. The following table summarizes the outstanding capital asset-related debt by type of debt at June 30:

Capital Asset-Related Debt (in millions)			
	2012	2011	
Capital Improvement Debt	\$ 126.3	\$ 104.5	
Capital Leases	3.2	3.3	
Installment Purchase Agreements	1.9	2.1	
<b>Total Capital Asset-Related Debt</b>	<b>\$ 131.4</b>	<b>\$ 109.9</b>	

*Additional information about the University's capital asset-related debt is presented in Note 13 to the financial statements.*





## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The Florida Legislative Office of Economic and Demographic Research published the State of Florida's Long-Range Financial Outlook in the fall of 2012. This report indicates that while a Florida recovery has been underway since the late spring of 2010, the State still has far to go to return to more typical economic conditions.

This forecast is cautiously optimistic that the recovery will steadily continue, although at a slower pace than originally projected. Several years of modest growth are expected until fiscal year 2015-16 when more normal conditions are expected. The pace of Florida's recovery will be driven in large part by the time it takes for the construction industry to recover along with a tandem recovery in the jobs sector.

In light of the Federal Government passing the Patient Protection and Affordable Care Act of 2010 with its known and unknown costs, along with the State's bonding capacity being reached, and continuing budget reductions from the State, budget pressures continue for the State of Florida and the University. In an effort to control costs, UF is moving toward having more flexibility over the healthcare options available to employees.

Through the introduction of GatorCare, a consolidated group health insurance plan available to eligible employee groups, the University will have local control over healthcare design, costs, and options available to employees. During calendar year 2013, GatorCare will be offered to approximately 16,000 employees of component units, University graduate assistants, and postdoctoral personnel. GatorCare not only allows flexibility in offering benefits to these employees, but should result in cost efficiencies as well.

## REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Michael V. McKee, Assistant Vice President and University Controller, P. O. Box 113200, Gainesville, Florida 32611.



## STATEMENT OF NET ASSETS as of June 30, 2012 (amounts expressed in thousands)

	University of Florida		Component Units (FYE in 2012)		
	2012	2011	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
<b>ASSETS</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents (Note 1)	\$ 503	\$ 1,531	\$ 28,478	\$ 65,336	\$ 58,303
Investments (Note 4)	987,024	978,644	207,149	6,438	224,083
Accounts Receivable, Net (Note 5)	145,382	118,336	122,624	56,756	211,913
Loans and Notes Receivable, Net (Note 5)	3,155	3,082	106	-	-
Due From State (Note 6)	31,535	79,385	-	-	6,885
Due From Component Units/University (Note 7)	13,320	11,625	8,270	9,116	5,811
Inventories (Note 8)	4,680	4,865	855	-	21,750
Other Current Assets	1,824	2,781	6,447	4,809	50,299
<b>Total Current Assets</b>	<b>1,187,423</b>	<b>1,200,249</b>	<b>373,929</b>	<b>142,455</b>	<b>579,044</b>
<b>Noncurrent Assets:</b>					
Restricted Cash and Cash Equivalents (Note 1)	16	8	-	1,501	-
Restricted Investments (Note 4)	100,878	105,695	1,563,638	21,450	195,584
Loans and Notes Receivable, Net (Note 5)	37,491	37,314	-	-	-
Depreciable Capital Assets, Net (Note 9)	1,549,324	1,557,991	169,661	32,454	780,353
Nondepreciable Capital Assets (Note 9)	116,369	105,301	74,568	25,280	120,802
Other Noncurrent Assets	1,126	854	1,593	7,591	300,258
<b>Total Noncurrent Assets</b>	<b>1,805,204</b>	<b>1,807,163</b>	<b>1,809,460</b>	<b>88,276</b>	<b>1,396,997</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,992,627</b>	<b>\$ 3,007,412</b>	<b>\$ 2,183,389</b>	<b>\$ 230,731</b>	<b>\$ 1,976,041</b>
<b>LIABILITIES</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 75,033	\$ 61,620	\$ 16,115	\$ 31,561	\$ 188,974
Salaries and Wages Payable	19,266	15,742	2,669	1,229	63,191
Due To Component Units/University (Note 7)	14,863	28,901	39,829	7,299	9,387
Deferred Revenue (Note 11)	25,575	28,958	84,592	11	58
Deposits Held in Custody	9,610	7,773	305	28	-
Other Current Liabilities (Note 12)	8,349	23,408	15,735	257	32
Long-Term Liabilities - Current Portion: (Note 13)					
Capital Improvement Debt Payable	6,919	5,193	-	-	-
Bonds Payable	-	-	4,995	1,109	28,327
Installment Purchase Agreements Payable	868	978	-	-	-
Capital Leases Payable	74	114	-	123	2,777
Compensated Absences Payable	7,243	11,860	279	6,767	-
Liability for Self-Insured Claims	15,440	16,120	-	-	-
<b>Total Current Liabilities</b>	<b>183,240</b>	<b>200,667</b>	<b>164,519</b>	<b>48,384</b>	<b>292,746</b>
<b>Noncurrent Liabilities: (Note 13)</b>					
Capital Improvement Debt Payable	119,365	99,314	-	-	-
Bonds Payable	-	-	117,895	12,348	583,898
Installment Purchase Agreements Payable	1,077	1,092	-	-	-
Capital Leases Payable	3,076	3,197	-	352	7,606
Compensated Absences Payable	90,621	166,071	3,272	-	-
Other Postemployment Benefits Payable	102,458	66,062	-	-	1,751
Liability for Self-Insured Claims	87,392	82,287	-	-	-
Other Noncurrent Liabilities	19,106	19,425	36,046	-	102,549
<b>Total Noncurrent Liabilities</b>	<b>423,095</b>	<b>437,448</b>	<b>157,213</b>	<b>12,700</b>	<b>695,804</b>
<b>TOTAL LIABILITIES</b>	<b>606,335</b>	<b>638,115</b>	<b>321,732</b>	<b>61,084</b>	<b>988,550</b>
<b>NET ASSETS</b>					
Invested in Capital Assets, Net of Related Debt Restricted:	1,570,417	1,573,215	115,121	44,669	321,357
Nonexpendable:					
Endowment	-	-	1,127,322	-	97
Expendable:					
Endowment	-	-	213,943	-	12,593
Loans	36,065	33,935	-	-	-
Capital Projects	47,251	105,522	-	-	-
Debt Service	5,289	4,863	-	-	-
Other	566,081	540,347	294,400	1,500	-
Unrestricted	161,189	111,415	110,871	123,478	653,444
<b>TOTAL NET ASSETS</b>	<b>2,386,292</b>	<b>2,369,297</b>	<b>1,861,657</b>	<b>169,647</b>	<b>987,491</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,992,627</b>	<b>\$ 3,007,412</b>	<b>\$ 2,183,389</b>	<b>\$ 230,731</b>	<b>\$ 1,976,041</b>

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

# STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS for the Fiscal Year Ended June 30, 2012

(amounts expressed in thousands)

	University of Florida		Component Units (FYE in 2012)		
	2011-12	2010-11	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
<b>OPERATING REVENUES</b>					
Student Tuition and Fees	\$ 462,050	\$ 424,462	\$ -	\$ -	\$ -
Scholarship Allowances	(141,554)	(148,351)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	320,496	276,111	-	-	-
Federal Grants and Contracts	408,728	392,326	-	-	-
State and Local Grants and Contracts	43,085	48,431	-	-	-
Nongovernmental Grants and Contracts	604,723	629,771	-	-	-
Sales and Services of Auxiliary Enterprises (Note 14)	129,369	136,634	-	-	-
Sales and Services of Educational Departments	47,771	45,643	-	-	-
Sales and Services of Component Units	-	-	119,195	-	-
Hospital Revenues	-	-	-	514,131	1,576,713
Gifts and Donations - Component Units	-	-	83,794	11,644	-
Royalties and Licensing Fees - Component Units	-	-	33,322	-	1,289
Interest on Loans and Notes Receivable	998	1,007	-	-	-
Other Operating Revenues	2,288	2,824	12,196	4,167	25,704
<b>Total Operating Revenues</b>	<b>1,557,458</b>	<b>1,532,747</b>	<b>248,507</b>	<b>529,942</b>	<b>1,603,706</b>
<b>OPERATING EXPENSES</b>					
Employee Compensation and Benefits	1,522,935	1,583,100	-	-	-
Services and Supplies	446,578	434,167	-	-	-
Utilities and Communications	65,675	67,693	-	-	-
Scholarships, Fellowships and Waivers, Net	80,810	98,600	-	-	-
Depreciation	116,697	126,568	9,086	6,915	74,152
Self-Insured Claims and Expenses	11,803	11,030	-	-	-
Other Component Unit Operating Expenses	-	-	284,422	220,619	1,354,729
<b>Total Operating Expenses (Note 19)</b>	<b>2,244,498</b>	<b>2,321,158</b>	<b>293,508</b>	<b>227,534</b>	<b>1,428,881</b>
<b>Operating Income (Loss)</b>	<b>(687,040)</b>	<b>(788,411)</b>	<b>(45,001)</b>	<b>302,408</b>	<b>174,825</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Noncapital State Appropriations	527,880	579,123	-	-	4,000
Federal and State Student Financial Aid	116,178	147,345	-	-	-
State Appropriated American Recovery and Reinvestment Act Funds	2,384	30,923	-	-	-
Noncapital Grants, Contracts, and Gifts	81,077	-	-	-	-
Investment Income	26,156	29,099	7,328	449	13,915
Net Increase (Decrease) in the Fair Value of Investments	2,355	16,812	(6,781)	(3)	180
Investment Expenses	(2,097)	(1,656)	-	-	-
Gain (Loss) on Disposal of Capital Assets	(2,573)	(5,331)	2	(60)	496
Interest on Capital Asset-Related Debt	(5,483)	(4,464)	(3,894)	(90)	(16,002)
Other Nonoperating Expenses	(63,852)	(6,389)	(9,327)	(405,684)	(61,430)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>682,025</b>	<b>785,462</b>	<b>(12,672)</b>	<b>(405,388)</b>	<b>(58,841)</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(5,015)</b>	<b>(2,949)</b>	<b>(57,673)</b>	<b>(102,980)</b>	<b>115,984</b>
Capital State Appropriations	6,060	60,259	-	-	-
Capital Grants, Contracts, Donations, and Student Fees	15,950	14,890	-	-	-
Additions to Permanent Endowments	-	-	45,233	-	-
Transfers from/(to) Component Units	-	-	11,913	88,148	(53,290)
<b>Total Other Revenues, Expenses, Gains, or Losses</b>	<b>22,010</b>	<b>75,149</b>	<b>57,146</b>	<b>88,148</b>	<b>(53,290)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>16,995</b>	<b>72,200</b>	<b>(527)</b>	<b>(14,832)</b>	<b>62,694</b>
<b>Net Assets, Beginning of Year</b>	<b>2,369,297</b>	<b>2,297,097</b>	<b>1,862,184</b>	<b>184,493</b>	<b>924,574</b>
Adjustment to Beginning Net Assets (Note 3)	-	-	-	(14)	223
<b>Adjusted Net Assets, Beginning of Year, as Restated</b>	<b>2,369,297</b>	<b>2,297,097</b>	<b>1,862,184</b>	<b>184,479</b>	<b>924,797</b>
<b>Net Assets, End of Year</b>	<b>\$ 2,386,292</b>	<b>\$ 2,369,297</b>	<b>\$ 1,861,657</b>	<b>\$ 169,647</b>	<b>\$ 987,491</b>

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

STATEMENT OF CASH FLOWS as of June 30, 2012 *(amounts expressed in thousands)*

	University of Florida	
	2011-12	2010-11
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and Fees, Net	\$ 316,411	\$ 275,625
Grants and Contracts	1,043,057	1,067,675
Sales and Services of Auxiliary Enterprises	117,239	138,584
Sales and Services of Educational Departments	47,609	45,625
Repayment of Loans and Notes Receivable from Students	5,962	6,812
Interest on Loans Receivable	786	2,016
Other Operating Receipts	2,447	1,705
Payments to Employees	(1,563,109)	(1,579,905)
Payments to Suppliers for Goods and Services	(503,087)	(498,189)
Payments to Students for Scholarships and Fellowships	(80,810)	(98,601)
Loans Issued to Students	(6,213)	(5,439)
Payments on Self-Insured Claims and Expenses	(7,378)	(19,612)
<b>Net Cash Used by Operating Activities</b>	<b>(627,086)</b>	<b>(663,704)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Noncapital State Appropriations	527,880	588,229
Federal and State Financial Aid	116,178	147,345
State Appropriated American Recovery and Reinvestment Act Funds	2,384	30,923
Noncapital Grants, Contracts, and Gifts	81,077	-
Direct Loan Program Receipts	245,805	230,013
Direct Loan Program Disbursements	(245,794)	(230,017)
Operating Subsidies and Transfers	-	3
Net Change in Funds Held for Others	2,899	1,187
Other Nonoperating Receipts	2,180	1,155
Other Nonoperating Disbursements	(3,979)	(7,277)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>728,630</b>	<b>761,561</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from Capital Improvement Debt	27,094	29,796
Capital State Appropriations	50,889	71,936
Capital Grants, Contracts, Donations, and Student Fees	3,349	15,909
Proceeds from Sales of Capital Assets	193	108
Other Receipts for Capital Projects	55	-
Purchase or Construction of Capital Assets	(179,498)	(187,068)
Principal Paid on Capital Debt and Leases	(7,342)	(6,297)
Interest Paid on Capital Debt and Leases	(5,483)	(4,464)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(110,743)</b>	<b>(80,080)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Investments	1,476,554	1,405,419
Purchase of Investments	(1,492,980)	(1,450,146)
Investment Income	24,605	27,620
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>8,179</b>	<b>(17,107)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(1,020)</b>	<b>670</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,539</b>	<b>869</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 519</b>	<b>\$ 1,539</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (687,040)	\$ (788,411)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense	116,697	126,568
Change in Assets and Liabilities:		
Receivables, Net	(27,715)	(748)
Due From State and Component Units	(1,843)	(890)
Inventories	185	224
Other Assets	7	3,508
Accounts Payable	8,974	(61)
Salaries and Wages Payable	3,497	(28,294)
Due to Component Units	(1,414)	586
Deferred Revenue	(362)	2,046
Deposits Held in Custody	1,175	(1,138)
Other Postemployment Benefits Payable	36,396	23,193
Compensated Absences Payable	(80,067)	8,296
Liability for Self-Insured Claims	4,424	(8,583)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (627,086)</b>	<b>\$ (663,704)</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
The following items are recognized on the Statement of Net Assets or the Statement of Revenues, Expenses and Changes in Net Assets, but are not cash transactions for the Statement of Cash Flows.		
Unrealized gains on investments	\$ 2,355	
Acquisition of equipment under installment purchase agreements	\$ 1,085	
Loss on disposal of capital assets	\$ (2,573)	
Expenses related to the changes in capitalization thresholds	\$ (61,206)	
Loss on refunded 1998 Housing Bonds will be amortized over the life of the 2011A refunding Housing Bonds	\$ (364)	

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





# Notes to the Financial Statements

*For the Fiscal Year Ended June 30, 2012*

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### *A. Reporting Entity*

The University of Florida is a separate public instrumentality that is part of the State university system of public universities, 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 thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president

of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select 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

or incomplete. Based on the application of these criteria, the University of Florida is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

### *B. Blended Component Units*

Based on the application of the criteria for determining component units, the University of Florida Self-Insurance Program (the Program), and the University of Florida Healthcare Education Insurance Company (HEIC), are included within the University reporting entity as blended component units. The Program was created by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes. The HEIC was created on September 1, 1994, as a self-insurance mechanism created pursuant to Section 1004.24, Florida Statutes. Although legally separate from the University of Florida, the Program's and the HEIC's sole purpose is to assist in providing liability protection for the University and its affiliated individuals and entities, and are therefore reported as if they are part of the University. See Note 17 for more details.

### *C. Discretely Presented Component Units*

Based on the application of the criteria for determining component units, certain affiliated organizations are included within the University reporting entity as discretely presented component units. The University further categorizes its component units as Direct-Support Organizations, Health Science Center Affiliates, and Shands Teaching Hospital and Others. An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the Office of University Relations. Condensed financial statements for the University's discretely presented component units are shown in Note 20.

### *D. Direct-Support Organizations*

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

benefit of the University. These organizations and their purposes are explained as follows:

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

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

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

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

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

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

**Florida 4-H Club Foundation, Inc.**, promotes the educational objectives of the 4-H Youth Development Program, an official part of the Florida Cooperative Extension Service.

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

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

**Citrus Research and Development Foundation, Inc.**, was formed to advance disease and production research and product development activities to ensure the survival and competitiveness of Florida's citrus growers through innovation.

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

**Treasure Coast Agricultural Research Foundation, Inc.**, supports, encourages, and fosters research, education, and extension at the Institute of Food and Agricultural Sciences



of the University on issues related to the citrus industry within the Indian River region.

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

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

**UF Historic St. Augustine, Inc.**, ensures the long-term preservation and interpretation of State-owned historic properties in St. Augustine. Related transactions have been recorded in the University's accounting records, primarily for payments received per the lease agreements transferred to the University and from State Appropriations for maintenance of the historic properties. Since this direct-support organization had no separate financial transactions, it is not presented.

**University of Florida Development Corporation** develops and maintains Innovation Square where the University-owned Florida Innovation Hub is located. Related transactions have been recorded in the University's accounting records. Since this direct-support organization had no separate financial transactions, it is not presented.

### *E. Health Science Center Affiliates*

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

- **Florida Clinical Practice Association, Inc.**
- **University of Florida Jacksonville Physicians, Inc.**
- **Faculty Associates, Inc.**
- **Florida Health Professions Association, Inc.**
- **University of Florida College of Nursing Faculty Practice Association, Inc.**
- **University of Florida College of Pharmacy Faculty Practice Association, Inc.**
- **Florida Veterinary Medicine Faculty Association, Inc.**
- **University of Florida Jacksonville Healthcare, Inc.**
- **Faculty Clinic, Inc.**

The first seven corporations listed are Faculty Practice Plans, as provided for in Board of Governors' Regulation 9.017. The Faculty Practice Plans provide educationally-oriented clinical practice settings and opportunities through which faculty members provide health, medical, and dental care to patients as an

integral part of their academic activities and their employment as faculty. Because these faculty practice activities generate income, the colleges are authorized to regulate fees generated from faculty practice and maintain Faculty Practice Plans for the orderly collection and distribution of fees. These organizations provide significant support for the clinical instruction function of the JHMHC.

University of Florida Jacksonville Healthcare, Inc., a Health Services Support Organization, as provided for in Board of Governors' Regulation 9.011, engages in strategic alliances and partnerships with non-academic entities, effecting managed care contracting and provider network development for the JHMHC. Faculty Clinic, Inc., was originally organized to operate a multi-specialty clinic. However, effective January 1, 1995, Faculty Clinic, Inc., was restructured to operate as a facilities management company.

### *F. Shands Hospital and Others*

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

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

Under the terms of the contractual agreement, Shands is obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the JHMHC and further agrees to contract with the State Board of Education for the provision of these programs. By operation of law, the University of Florida Board of Trustees has become the successor-in-interest to the State Board of Education.

**Shands Jacksonville HealthCare, Inc.** (Shands Jacksonville), is a Florida not-for-profit corporation. Shands Jacksonville was organized primarily to provide healthcare and related services to the community including the City of Jacksonville and surrounding counties, and to support the teaching and research missions of the University.

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

### *G. Basis of Presentation*

The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by 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 FASB. GASB allows public universities various reporting options. The University of Florida has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

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

### *H. Basis of Accounting*

Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing

of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's blended and discretely presented component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Twenty-seven component units follow GASB standards of accounting and financial reporting. Three component units (University of Florida Foundation, Inc., Florida Foundation Seed Producers, Inc., and University of Florida Investment Corporation) follow FASB standards of accounting and financial reporting for not-for-profit organizations.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, has elected to apply only those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

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

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

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

The Statement of Revenues, Expenses, and Changes in Net Assets is presented by major sources and is reported net of tuition scholarships, discounts, and allowances. Tuition scholarships, discounts, and allowances are the differences between the stated charge for goods and services provided by the University and the



amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied “The Alternate Method” as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarships, discounts, and allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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

### *I. Cash and Cash Equivalents*

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

### *J. Capital Assets*

University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease, works of art and historical treasures, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value on 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 \$4 million for intangible assets, which includes computer software, and \$5,000 for tangible personal property. The costs of all new buildings and projects adding new square footage are capitalized. Infrastructure and leasehold improvements have a \$250,000 capitalization threshold. For building renovations, the threshold is \$250,000 or less if the amount expended is at least 25% of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 5 to 50 years, depending on construction
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 3 to 20 years
- Property Under Capital Lease – 40 years
- Library Resources – 10 years
- Computer Software – 5 years

### *K. Noncurrent Liabilities*

Noncurrent liabilities include principal amounts of capital improvement debt payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insured claims, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums or discounts and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as Other Noncurrent Assets, and are amortized over the life of the debt using the straight-line method.



## L. Other Significant Accounting Policies

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

## 2 CHANGES IN ACCOUNTING POLICY AND REPORTING

The University changed certain of its capitalization thresholds effective July 1, 2011. These changes resulted in \$191,012,146 of previously capitalized assets, net of \$129,806,302 in related accumulated depreciation, being removed from the University's accounting records. These changes are reflected within the adjustments column of Table 9. The net amount of \$61,205,844 was recorded as Other Nonoperating Expenses in the Statement of Revenues, Expenses and Changes in Net Assets.

Additionally, pursuant to the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, certain transfers to the University from component units, which were previously reported as operating revenues Nongovernmental Grants and Contracts, have been determined to be nonexchange transactions, and are now reported as nonoperating revenues Noncapital Grants, Contracts, and Gifts. The amount reported as Noncapital Grants, Contracts, and Gifts for the 2011-12 fiscal year is \$81,077,329. This change was made prospectively and, accordingly, the prior year financial statements have not been restated.

## 3 ADJUSTMENTS TO BEGINNING NET ASSETS - COMPONENT UNITS

Table 1 summarizes the Adjustments to Beginning Net Assets reported in the Statement of Revenues, Expenses, and Changes in Net Assets to correct prior year accounting errors of the University's component units.

Table 1. Adjustments to Beginning Net Assets

Description	Component Units
UF College of Pharmacy Faculty Practice Association, Inc. - To decrease Beginning Net Assets to correct prior year Accounts Receivable and Accounts Payable	\$ (14,052)
University Village Apartments, Inc. - To increase Beginning Net Assets for prior year overstatement of Accumulated Depreciation	223,358
<b>Total</b>	<b>\$ 209,306</b>

## 4 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 University's 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, interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees, as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted. Investments of the University and its component units at June 30, 2012, are reported at fair value and shown in Tables 2 and 3.

Table 2. University Investments

Types of Investments	Fair Value
External Investments Pools:	
State Treasury Special Purpose Investment Account	\$ 820,225,437
State Board of Administration Debt Service Accounts	2,836,585
United States Government and Federally-Guaranteed Obligations	14,908,204
Repurchase Agreements	18,254,159
Stocks	516
Certificates of Deposit	750,000
Investment Agreements	106,778,845
Equity Mutual Funds	36,407,622
Bond Mutual Funds	87,740,464
<b>Total University Investments</b>	<b>\$ 1,087,901,832</b>

Table 3. Component Units Investments

Types of Investments	Fair Value
External Investments Pools:	
State Treasury Special Purpose Investment Accounts	\$ 305,739,156
State Board of Administration Florida PRIME Investment Pool	413,539
United States Government and Federally-Guaranteed Obligations	4,166,062
Federal Agency Obligations	491,154
Bonds and Notes	24,130,420
Investment Agreements	1,700,068,594
Real Estate Agreements	11,106,906
Stocks	3,832,081
Certificates of Deposit	854,585
Money Market Funds	56,456,705
Equity Mutual Funds	47,376,783
Bond Mutual Funds	62,585,598
Commercial Paper	1,120,000
<b>Total Component Units Investments</b>	<b>\$ 2,218,341,583</b>

### A. External Investment Pools

The University and its discretely presented component units (see Note 1) reported investments at fair value totaling \$820,225,437 and \$305,739,156, respectively, at June 30, 2012, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+ by Standard and Poor's and had an effective duration of 2.38 years at June 30, 2012. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2012, the University's component units reported investments at fair value totaling \$413,539 in the Florida PRIME investment pool, administered by the SBA pursuant to Section 218.405, Florida Statutes. The investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2012, 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 38 days as of June 30, 2012. 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 fair value, which is amortized cost.

### B. State Board of Administration Debt Service Accounts

The University reported investments at fair value totaling \$2,836,585 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

### C. Other Investments

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

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Per the Statement of Investment Guidelines and Objectives of the University of Florida Healthcare Education Insurance Company, the weighted-average duration of the fixed income portfolio shall at all times be less than five years. Investments of the University and its component units (excluding those reporting under FASB standards) in debt securities and bond mutual funds, and their future maturities at June 30, 2012, are shown in Tables 4 and 5, respectively.

Table 4. University Debt Investments Maturities

Types of Investments	Investments Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 14,908,204	\$ 3,152,867	\$ 11,755,337	\$ -	\$ -
Bond Mutual Funds	87,740,464	-	87,740,464	-	-
<b>Total University</b>	<b>\$ 102,648,668</b>	<b>\$ 3,152,867</b>	<b>\$ 99,495,801</b>	<b>\$ -</b>	<b>\$ -</b>

Table 5. Component Units Debt Investments Maturities

Types of Investments	Investments Maturities (in Years)				
	Fair Value	Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 2,967,031	\$ -	\$ -	\$ 2,967,031	\$ -
Federal Agency Obligations	491,154	491,154	-	-	-
Bonds and Notes	21,321,462	2,580,000	17,062,833	1,588,623	90,006
Bond Mutual Funds	51,175,498	5,176,818	11,464,680	34,534,000	-
<b>Total Component Units</b>	<b>\$ 75,955,145</b>	<b>\$ 8,247,972</b>	<b>\$ 28,527,513</b>	<b>\$ 39,089,654</b>	<b>\$ 90,006</b>

Table 6. University Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
<b>Bond Mutual Funds</b>	<b>\$ 87,740,464</b>	<b>\$ 1,228,146</b>	<b>\$ 50,782,211</b>	<b>\$ 30,728,202</b>	<b>\$ 5,001,905</b>

Table 7. Component Units Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Federal Agency Obligations	\$ 491,154	\$ 477,080	\$ -	\$ -	\$ 14,074
Bonds and Notes	21,321,462	2,068,277	6,637,358	10,625,672	1,990,155
Money Market Funds	52,355,980	19,500,000	-	352,980	32,503,000
Bond Mutual Funds	51,175,498	-	2,445,449	-	48,730,049
<b>Total Component Units</b>	<b>\$ 125,344,094</b>	<b>\$ 22,045,357</b>	<b>\$ 9,082,807</b>	<b>\$ 10,978,652</b>	<b>\$ 83,237,278</b>

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. At June 30, 2012, the University and its component units (excluding those reporting under FASB standards) had bonds and notes, money market funds and bond mutual funds, with quality ratings by nationally recognized rating agencies (i.e., Moody's Investors Service), as shown in Tables 6 and 7, respectively.

**Custodial Credit Risk:** Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University's name. The University has no formal policy on custodial credit risk. The component units manage their custodial credit risk based on various investment policies, which may be obtained separately from the component units.



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

## 5 RECEIVABLES

### A. Accounts Receivable

Accounts receivable represent amounts for grant and contract reimbursements due from third parties, various sales and services provided to students and third parties, student tuition and fees, and interest accrued on investments and loans receivable. Accounts receivable, net of an allowance for uncollectible accounts, reported as of June 30, 2012, are summarized in Table 8.

**Table 8. Accounts Receivable**

Description	Amount
Grants and Contracts	\$ 89,673,400
Sales and Services of Auxiliary Enterprises	42,357,312
Student Tuition and Fees	9,554,155
Sales and Services of Educational Departments	1,690,327
Interest	2,107,194
<b>Total Accounts Receivable, Net</b>	<b>\$ 145,382,388</b>

### B. Loans and Notes Receivable

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

### C. Allowances for Uncollectible Receivables

Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and other factors considered appropriate. Accounts receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$6,513,610, which is 10.5% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$3,271,000, which is 7.4% of total related loans and notes receivable. No allowance has been accrued for grants and contracts receivable. University management considers these to be fully collectible.

## 6 DUE FROM STATE

This amount consists of \$31,534,921 of Public Education Capital Outlay due from the State to the University for construction of University facilities.

## 7 DUE FROM AND TO COMPONENT UNITS/ UNIVERSITY

The University's financial statements are reported for the fiscal year ended June 30, 2012. The University's component units' financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units have a fiscal year other than June 30. Additionally, component units' due from and due to amounts include receivables and payables between the various component unit columns. Accordingly, amounts reported by the University as due from and to component units on the Statement of Net Assets may not agree with amounts reported by the component units as due from and to the University.

## 8 INVENTORIES

Inventories have been categorized into the following two types:

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

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

## 9 CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is presented in Table 9.

Table 9. Capital Assets

Description	Beginning Balance	Adjustments (A)	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 10,763,861	\$ -	\$ -	\$ -	\$ 10,763,861
Construction in Progress	90,589,155	-	66,815,315	55,674,924	101,729,546
Works of Art and Historical Treasures	3,948,343	(139,513)	95,939	29,476	3,875,293
<b>Total Nondepreciable Capital Assets</b>	<b>105,301,359</b>	<b>(139,513)</b>	<b>66,911,254</b>	<b>55,704,400</b>	<b>116,368,700</b>
<b>Depreciable Capital Assets:</b>					
Buildings	2,012,506,291	-	119,144,085	848,788	2,130,801,588
Infrastructure and Other Improvements	95,775,051	-	3,180,148	-	98,955,199
Furniture and Equipment	683,121,497	(178,247,692)	39,974,064	19,598,619	525,249,250
Library Resources	296,357,298	-	10,489,259	728,739	306,117,818
Property Under Capital Lease	9,815,002	-	-	-	9,815,002
Works of Art and Historical Treasures	850,369	(336,957)	6,283	-	519,695
Computer Software	35,037,770	(10,719,822)	353,359	138,307	24,533,000
Other Capital Assets	2,314,225	(1,568,162)	-	736,563	9,500
<b>Total Depreciable Capital Assets</b>	<b>3,135,777,503</b>	<b>(190,872,633)</b>	<b>173,147,198</b>	<b>22,051,016</b>	<b>3,096,001,052</b>
<b>Less Accumulated Depreciation:</b>					
Buildings	814,420,048	-	63,369,307	336,135	877,453,220
Infrastructure and Other Improvements	54,824,544	-	3,180,658	-	58,005,202
Furniture and Equipment	435,035,500	(119,998,096)	36,705,033	16,447,957	335,294,480
Library Resources	236,184,033	-	11,992,475	728,739	247,447,769
Property Under Capital Lease	3,372,823	-	245,375	-	3,618,198
Works of Art and Historical Treasures	447,596	(155,149)	29,468	(1,059)	322,974
Computer Software	32,830,246	(8,948,243)	818,636	167,639	24,533,000
Other Capital Assets	671,341	(704,814)	355,803	320,113	2,217
<b>Total Accumulated Depreciation</b>	<b>1,577,786,131</b>	<b>(129,806,302)</b>	<b>116,696,755</b>	<b>17,999,524</b>	<b>1,546,677,060</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>1,557,991,372</b>	<b>(61,066,331)</b>	<b>56,450,443</b>	<b>4,051,492</b>	<b>1,549,323,992</b>
<b>Total Capital Assets, Net</b>	<b>\$ 1,663,292,731</b>	<b>\$ (61,205,844)</b>	<b>\$ 123,361,697</b>	<b>\$ 59,755,892</b>	<b>\$ 1,665,692,692</b>

(A) Adjustments represent the capital assets costs and related accumulated depreciation, removed from the University's accounting records as result of change in capitalization thresholds. See paragraph 1 of Note 2.

## 10 MUSEUM AND ART COLLECTIONS

The Florida Museum of Natural History, which is part of the University, maintains a depository of biological, geological, archaeological, and ethnographic materials. The museum's collections contain approximately 32 million specimens, more than half of which are catalogued, either individually or in lots. While many of the collections are undoubtedly quite valuable and irreplaceable, the University has not placed a dollar value on these items and, accordingly, the financial statements do not include these assets.

The Samuel P. Harn Museum of Art, which is also part of the University, maintains a collection of approximately 8,600 works of art. Donations of artwork to the museum are recorded by the University of Florida Foundation, Inc. (Foundation), and are included with reported "Permanent Collections" as further explained in Note 9 of the Foundation's audited financial statements for the fiscal year ended June 30, 2012. Purchases of artwork by the museum are included with the University's reported "Nondepreciable Capital Assets" as presented in Table 9.

## 11 DEFERRED REVENUE

Deferred revenue includes amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Deferred revenue, as of June 30, 2012, is summarized in Table 10.

Table 10. Deferred Revenue

Description	Amount
Grants and Contracts	\$ 19,139,011
Sales and Services of Auxiliary Enterprises	6,436,082
<b>Total Deferred Revenue</b>	<b>\$ 25,575,093</b>

## 12 OTHER CURRENT LIABILITIES

The University maintained accounts with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the University's records showed a temporary cash overdraft for the amount of outstanding checks not presented as of June 30,

2012. This did not, however, represent an overdraft in the University's depository accounts.

## 13 LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2012, include capital improvement debt payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, liability for self-insured claims, and other noncurrent liabilities.

Long-term liability activity for the fiscal year ended June 30, 2012, is presented in Table 11.

### A. Capital Improvement Debt Payable

Capital improvement debt is issued to construct student housing facilities, parking garages, and various other University facilities. The outstanding debt for student housing and parking garages is secured by a pledge of a portion of housing rental revenues and parking fees. The outstanding debt for the Clinical Translational Research Building is secured by a pledge of a portion of indirect costs revenues received by the College of Medicine.

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

On November 10, 2011, the Florida Board of Governors, on behalf of the University, issued \$16,350,000 of University of Florida Housing Revenue Bonds, Series 2011A, with interest rates ranging from 2.0 to 4.0 percent to advance refund the \$16,595,000 principal amount of the University of Florida Housing Revenue Bonds, Series 1998, maturing on or after July 1, 2011, with rates from 4.5 to 5.0 percent. The refunding bonds were used to purchase securities, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust

assets and the liability for the defeased bonds are not included in the University's Statement of Net Assets. As a result of the refunding, the University reduced its debt service requirement by \$1,968,164 over the next 15 years and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,600,752.

On May 10, 2012, the Florida Board of Governors, on behalf of the University, also issued \$26,500,000 of University of Florida Housing Revenue Bonds, Series 2012A, with interest rates ranging from 2.0 to 4.0 percent. Proceeds of \$27,094,319, which include a premium of \$939,136, will be used to finance 14 dormitory renovation projects.

A summary of the University's capital improvement debt payable at June 30, 2012, appears in Table 12.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2012, appear in Table 13.

### B. Installment Purchase Agreements Payable

The University has entered into several installment purchase agreements for the purchase of equipment reported at \$7,091,455. The stated interest rates ranged from 0.00% to 10.74%. Future minimum payments remaining under installment purchase agreements as of June 30, 2012, appear in Table 14.

### C. Capital Leases Payable

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

Table 11. Long-Term Liabilities

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
<b>Capital Asset-Related Debt:</b>					
Capital Improvement Debt Payable	\$ 104,506,954	\$ 42,850,000	\$ 21,073,302	\$ 126,283,652	\$ 6,919,000
Installment Purchase Agreements Payable	2,069,714	1,085,057	1,209,308	1,945,463	867,773
Capital Leases Payable	3,310,387	-	160,881	3,149,506	73,743
<b>Total Capital Asset-Related Debt</b>	<b>109,887,055</b>	<b>43,935,057</b>	<b>22,443,491</b>	<b>131,378,621</b>	<b>7,860,516</b>
<b>Other Long-Term Liabilities:</b>					
Compensated Absences Payable	177,931,358	107,891,228	187,958,514	97,864,072	7,242,704
Other Postemployment Benefits Payable	66,062,000	45,792,000	9,396,000	102,458,000	-
Liability for Self-Insured Claims	98,407,591	11,800,173	7,376,172	102,831,592	15,439,665
Other Noncurrent Liabilities	19,424,658	-	318,581	19,106,077	-
<b>Total Long-Term Liabilities</b>	<b>\$ 471,712,662</b>	<b>\$ 209,418,458</b>	<b>\$ 227,492,758</b>	<b>\$ 453,638,362</b>	<b>\$ 30,542,885</b>

Table 12. Capital Improvement Debt Payable

Type and Series	Amount of Original Issue	Amount Outstanding		Interest Rates	Maturity Date
		Principal	Interest		
<b>Student Housing Auxiliary Debt:</b>					
1984 Housing	\$ 3,500,000	\$ 355,000	\$ 16,050	3.000%	2014
2005A Housing	37,610,000	31,760,000	15,345,781	4.000 to 5.125%	2030
2011A Housing	16,350,000	15,245,000	4,035,463	2.000 to 4.000%	2028
2012A Housing	26,500,000	26,500,000	10,269,311	2.000 to 4.000%	2031
<b>Total Student Housing Debt</b>	<b>83,960,000</b>	<b>73,860,000</b>	<b>29,666,605</b>		
<b>Parking Garage Auxiliary Debt:</b>					
1993 Parking Garage	19,545,000	1,580,000	80,000	5.000%	2014
1998 Parking Garage	10,000,000	4,655,000	810,212	4.400 to 4.750%	2019
2007A Parking Garage	20,770,000	17,775,000	6,539,124	3.500 to 4.375%	2028
<b>Total Parking Garage Debt</b>	<b>50,315,000</b>	<b>24,010,000</b>	<b>7,429,336</b>		
<b>University of Florida Revenue Bonds:</b>					
2011 Clinical Translational Research Building	29,838,000	28,811,000	13,305,250	4.433%	2030
Plus: Unamortized Premiums	-	1,367,055	-		
Less: Unamortized Discounts	-	(359,127)	-		
Less: Unamortized Refunding Losses	-	(1,405,276)	-		
<b>Total Capital Improvement Debt</b>	<b>\$ 164,113,000</b>	<b>\$ 126,283,652</b>	<b>\$ 50,401,191</b>		

Table 13. Capital Improvement Debt Outstanding

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 6,919,000	\$ 5,355,410	\$ 12,274,410
2014	7,307,000	4,970,782	12,277,782
2015	6,580,000	4,706,491	11,286,491
2016	6,829,000	4,448,234	11,277,234
2017	7,108,000	4,165,426	11,273,426
2018-2022	35,137,000	16,174,783	51,311,783
2023-2027	35,372,000	8,794,387	44,166,387
2028-2031	21,429,000	1,785,678	23,214,678
<b>Subtotal</b>	<b>126,681,000</b>	<b>50,401,191</b>	<b>177,082,191</b>
Plus: Unamortized Premiums	1,367,055	-	1,367,055
Less: Unamortized Discounts	(359,127)	-	(359,127)
Less: Unamortized Refunding Losses	(1,405,276)	-	(1,405,276)
<b>Total</b>	<b>\$ 126,283,652</b>	<b>\$ 50,401,191</b>	<b>\$ 176,684,843</b>

Table 14. Installment Purchase Agreements

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 867,773	\$ 37,691	\$ 905,464
2014	625,685	18,737	644,422
2015	375,133	7,232	382,365
2016	76,872	705	77,577
<b>Total Minimum Payments</b>	<b>\$ 1,945,463</b>	<b>\$ 64,365</b>	<b>\$ 2,009,828</b>

for Leases. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$1,382,470. The asset, which is included in reported Property Under Capital Lease, was recorded at cost to Shands of \$3,000,000.

On March 1, 2000, the University, acting for and on behalf of the former Board of Regents, entered into a lease agreement with Shands. Under the terms of the agreement, the University agreed to lease from Shands an 800-space parking garage located near the Health Science Center Administrative Offices for a period of thirty years beginning March 1, 2000. Annual lease payments of \$227,167 are due each May 1, beginning May 1, 2001. Lease payment amounts were based on an original construction cost of \$6,815,002 and no interest. For reporting purposes, the lease is considered a capital lease under FASB Statement No. 13, *Accounting for Leases*. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$2,981,939. The asset, which is included in reported Property Under Capital Lease, was recorded at cost to Shands of \$6,815,002. A summary of pertinent information related to the two capital leases appears in Table 15.

annually are due each July 1. The garage was simultaneously acquired by the Foundation from Shands Teaching Hospital and Clinics, Inc. (Shands), also a component unit, and financed by the Foundation through the issuance of a promissory note secured by a non-recourse mortgage containing payment terms similar to those in the lease agreement between the Foundation and the University. Lease payments from the University to the Foundation and from the Foundation to Shands were based on an original construction cost of \$3,000,000 and no interest. For reporting purposes, the lease is considered a capital lease under Financial Accounting Standards Board (FASB) Statement No. 13, *Accounting*



Table 15. Capital Leases Payable

Capital Leases	Interest Rate	Original Balances	Outstanding Balance At June 30, 2012
Shands Garage (607 spaces)	6.45%	\$ 1,382,470	\$ 770,848
Shands Garage (800 spaces)	6.45%	2,981,939	2,378,658
<b>Total</b>		<b>\$ 4,364,409</b>	<b>\$ 3,149,506</b>

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2012, are presented in Table 16.

Table 16. Capital Leases Principal &amp; Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 73,743	\$ 153,423	\$ 227,166
2014	128,780	198,387	327,167
2015	137,086	190,080	327,166
2016	145,928	181,238	327,166
2017	155,341	171,826	327,167
2018-2022	940,563	695,271	1,635,834
2023-2027	965,866	369,970	1,335,836
2028-2030	602,199	79,301	681,500
<b>Total</b>	<b>\$ 3,149,506</b>	<b>\$ 2,039,496</b>	<b>\$ 5,189,002</b>

#### D. Compensated Absences Payable

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' 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 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.

During the 2011-12 fiscal year, the University made changes to the leave regulations concerning compensated absences. The new regulations placed limits on the hours of vacation and sick leave that can be paid out upon separation from the University. Vacation leave is limited to 200 hours for most employees, while sick leave is limited to one-fourth of the balance, up to 480 hours, for those employees hired prior to April 1, 2010, having more than ten years of service, and retiring on or before June 30, 2016.

At June 30, 2012, the estimated liability for compensated absences, which includes the University's share of the Florida

Table 17. Annual OPEB Cost and Net OPEB Obligation

Description	Amount
Normal Cost (service cost for one year)	\$ 24,032,000
Amortization of Unfunded Actuarial Accrued Liability	21,458,000
Interest on Normal Cost and Amortization	1,820,000
<b>Annual Required Contribution</b>	<b>47,310,000</b>
Interest on Net OPEB Obligation	2,568,000
Adjustment to Annual Required Contribution	(2,226,000)
<b>Annual OPEB Cost (Expense)</b>	<b>47,652,000</b>
Contribution Toward the OPEB Cost	(9,396,000)
<b>Increase in Net OPEB Obligation</b>	<b>38,256,000</b>
Net OPEB Obligation, Beginning of Year	66,062,000
Actuarial Adjustment to Beginning Net OPEB Obligation	(1,860,000)
<b>Net OPEB Obligation, End of Year</b>	<b>\$102,458,000</b>

Retirement System and FICA contributions, totaled \$97,864,072. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

#### E. Other Postemployment Benefits Payable

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

**Plan Description.** Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan, on average, than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

**Funding Policy.** Plan benefits are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 2,451 retirees received

Table 18. Annual OPEB Cost, Percentage Contributed, and Net Obligation

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 31,555,000	26.4%	\$ 42,869,000
2010-11	33,220,000	30.2%	66,062,000
2011-12	47,652,000	19.7%	102,458,000

postemployment benefits. The University provided required contributions of \$9,396,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$13,656,000.

**Annual OPEB Cost and Net OPEB Obligation.** The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. Table 17 shows the University's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation.

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding years, are presented in Table 18.

**Funded Status and Funding Progress.** As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$643,742,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$643,742,000. The covered payroll (annual payroll of active participating employees) was \$996,685,753 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 64.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the University's estimated 2011-12 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4% per year. Healthcare trend rates were 7.24%, 8.38%, and 8.57% for the first three years respectively for all retirees in the PPO (Preferred Provider Organization) Plan and were 5.81%, 3.11%, and 8.42% for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.5% in the fourth year grading to 5.0% over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis.

## 14

INTERDEPARTMENTAL  
AUXILIARY SALES

Interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from expenses and revenues for reporting purposes. The interdepartmental transactions eliminated in the financial statement preparation totaled \$103,222,795 for the fiscal year ended June 30, 2012.

## 15

## RETIREMENT PROGRAMS

*A. Florida Retirement System*

Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (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 Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system

**Table 19. Florida Retirement System Rates**

<b>Class</b>	<b>Percent of Gross Salary</b>	
	<b>Employee</b>	<b>Employer (A)</b>
Florida Retirement System, Regular	3.00%	4.91%
Florida Retirement System, Senior Management Services	3.00%	6.27%
Florida Retirement System, Special Risk	3.00%	14.10%
Deferred Retirement Option Program-Applicable to Members from all of the Above Classes	0.00%	4.42%
Florida Retirement System, Reemployed Retiree	(B)	(B)

**Notes:**

(A) Employer rates for each membership class include 1.11% for health insurance subsidy. Also, employer rates, other than for DROP participants, include .03% for administrative costs of the Investment Plan.

(B) Contribution Rates are dependent upon retirement class in which reemployed.

administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk, who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk, who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans 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, and death benefits, and annual cost-of-living adjustments.

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

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 the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service. There were 1,621 University participants during the 2011-12 fiscal year. Required employer contributions made to the Investment Plan totaled \$3,132,835 and employee contributions totaled \$1,875,505.

The State of Florida establishes contribution rates for participating employers and employees. Effective July 1, 2011, employees were required to contribute 3% of gross salary towards retirement. Contribution rates during the 2011-12 fiscal year are presented in Table 19.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. There were 8,032 University participants during the 2011-12 fiscal year. The University's contributions for the fiscal years ended June 30, 2010 and June 30, 2011 totaled \$33,580,957 and \$38,823,505 respectively, which were equal to the required contributions for each fiscal year. For the fiscal year ended June 30, 2012, the University's contributions totaled \$16,712,175 and employee contributions totaled \$8,613,541.

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

### ***B. State University System Optional Retirement Program***

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election

to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 7.92% of the participant's salary, less a small amount used to cover administrative costs and effective July 1, 2011, employees are required to contribute 3.0% 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.

There were 5,575 University participants during the 2011-12 fiscal year. Required employer contributions made to the Program totaled \$44,202,172 and employee contributions totaled \$35,121,824.

### C. Institute of Food and Agricultural Sciences Supplemental Retirement

In 1984, the Florida Legislature enacted the Institute of Food and Agricultural Sciences Supplemental Retirement Act to provide a supplement to the monthly retirement benefit being paid under the Federal Civil Service Retirement System to retirees of the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida. The supplement is designated for IFAS cooperative extension employees employed before July 1, 1983,

who are not entitled to benefits from either a State-supported retirement system or social security based on their service with IFAS. It was intended to compensate these IFAS employees for the difference between their Civil Service benefit and the benefits an FRS member receives, which include a social security benefit. No additional persons can become eligible for this supplement.

There were 34 University participants during the 2011-12 fiscal year. Required employer contributions made to the program totaled \$53,273. Employees do not contribute to this program.

### D. Other Retirement Programs

Some University employees participate in the Florida Teachers' Retirement System and the U.S. Civil Service Retirement System. One employee was covered by the Florida Teachers' Retirement System during the 2011-12 fiscal year. Employer contributions totaled \$15,233, and employee contributions totaled \$8,388. Thirty-four employees were covered by the U.S. Civil Service Retirement System during the 2011-12 fiscal year. Employer contributions totaled \$238,395, and employee contributions totaled \$233,988.

## 16

## CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2012, are presented in Table 20.

Table 20. Construction Commitments

Project Title	Total Commitment	Completed to Date	Balance Committed
Lake Nona Research Facility	\$ 51,974,305	\$ 43,538,426	\$ 8,435,879
Clinical Translational Research Building/Institute on Aging Research Building	44,479,161	13,498,164	30,980,997
East Campus Data Center	12,000,000	2,565,476	9,434,524
P.K. Yonge Developmental School Phase 1	8,541,054	7,246,054	1,295,000
Chemistry Biology Building	6,513,400	5,072,133	1,441,267
Weimer Hall Expansion	4,431,449	3,348,107	1,083,342
Movement Disorders Center	3,306,605	2,405,305	901,300
Tropical Research & Education Center Phase I - Homestead	3,204,400	629,306	2,575,094
McCarty Hall A - Third Floor Laboratory Renovations	3,047,767	2,514,564	533,203
Health Science Center Lobby Upgrades	2,754,460	1,780,451	974,009
Broward Hall Electrical Wiring Upgrade	2,065,000	1,057,486	1,007,514
Joint Use Library Storage Facility	2,017,600	187,633	1,829,967
SCADA (Steam Piping) Infrastructure-Campus	1,897,788	1,455,835	441,953
Weaver Hall Bathroom and Kitchen Renovations	1,875,070	1,379,731	495,339
Plant Pathology Diagnostics Laboratory	1,700,000	160,495	1,539,505
Evaluate and Optimize Condenser Pump	1,539,320	1,116,093	423,227
Creekside Resident Life Coordinator Apartments Renovation	1,405,000	478,775	926,225
Replace Voltage Cables - Campus	1,306,416	943,323	363,093
Replacement Oil Switches	1,153,804	47,667	1,106,137
Roof Replacement at Whitney Laboratory for Marine Bioscience	1,135,164	956,191	178,973
Weaver Hall Window Replacement	1,118,570	628,189	490,381
Lacy C. Rabon Chilled Water Plant	1,021,000	735,726	285,274
Campus Security System Enhancement	1,004,900	541,362	463,538
Subtotal	\$ 159,492,233	\$ 92,286,492	\$ 67,205,741
Projects Under \$1,000,000	22,997,685	9,443,054	13,554,631
<b>Total</b>	<b>\$ 182,489,918</b>	<b>\$101,729,546</b>	<b>\$ 80,760,372</b>



## 17

## RISK MANAGEMENT PROGRAMS

*A. State Self-Insurance 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 2011-12 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 of losses per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$61 million for named windstorm and flood losses through February 14, 2012, and decreased to \$50 million starting February 15, 2012. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three fiscal years.

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

*B. University Self-Insurance Programs*

The University of Florida Self-Insurance Program was reestablished by the Florida Board of Governors effective

July 1, 2006, by amending Board of Governors' Regulation 10.001, merging the then JHMHC Self-Insurance Program and the prior University of Florida JHMHC/Jacksonville Self-Insurance Program. The Self-Insurance Program provides general and professional liability protection for the University on behalf of the six health colleges of the JHMHC, which also include the Student Health Service Auxiliary, the Veterinary Medicine Teaching Hospital, and the University of Florida Proton Therapy Institute. Hospital professional liability protection, including patient general liability, is provided to Shands Teaching Hospital and Clinics, Inc.; Shands Jacksonville HealthCare, Inc.; and other statutorily permitted entities, which voluntarily participate in the Self-Insurance Program. The University is protected for losses, which are subject to Section 768.28, Florida Statutes, including legislative claims bills, that in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1 million per claim. The Self-Insurance Program provides \$2 million per-claim protection for the participants which are not subject to the provisions of Section 768.28, Florida Statutes. The per-claim limit of liability protection for the participants does not exceed \$2 million per claim in the event more than one protected entity is involved in the same claim or action.

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

Claims settlement and adjustment expenses are accrued as expenses and liabilities of the University of Florida Self-Insurance Program and University of Florida Healthcare Education Insurance Company, for the estimated settlement value of claims that is reported as a "Liability for Self-Insured Claims." The estimated settlement value of claims was determined based on the judgment and experience of management and the Self-Insurance Program Council through a case-by-case review. Estimated losses from incurred but unreported incidents are accrued based upon the findings of casualty actuaries.

The amount of "Liability for Self-Insured Claims" accrued for the Self-Insurance Program at June 30, 2012, was \$102,831,592 for compensatory losses and for allocated expenses. The "Liability for Self-Insured Claims" was accrued at an undiscounted present value.

The aggregate amount of claims liabilities for which annuity contracts have been purchased in the claimants' names, resulting

Table 21. Liability for Self-Insured Claims

<b>Fiscal Year</b>	<b>Claims Liabilities Beginning of Year</b>	<b>Current Claims/Changes in Estimates</b>	<b>Claims Payments</b>	<b>Claims Liabilities End of Year</b>
2010-11	\$ 106,990,118	\$ 8,016,453	\$ (16,598,980)	\$ 98,407,591
2011-12	98,407,591	11,800,173	(7,376,172)	102,831,592

in the removal of the related liabilities from the Statement of Net Assets, totals \$1,910,010 for the Self-Insurance Program at June 30, 2012. These annuities have been assigned to third parties, and all claimants have fully and completely released the Self-Insurance Program participants from all actual and contingent liability.

Changes in the balances of claims liabilities for the Self-Insurance Program and HEIC during the 2010-11 and 2011-12 fiscal years are presented in Table 21.

## 18 LITIGATION AND CONTINGENCIES

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.

The United States Department of Health and Human Services' and National Science Foundation's Offices of Inspector General, with the United States Department of Justice (civil division), are investigating the University's practices relating to Federal awards finances and accounting. University management is unable to make a determination of the outcome or estimate costs that the University may incur as a result of this audit.

## 19 FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction, such as research and public service. However, when the primary mission of those departments consists of instructional program elements, all expenses of those departments are reported under the instruction classification. The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Assets are presented by natural classifications. Table 22 presents those same expenses in functional classifications as recommended by NACUBO.

## 20 COMPONENT UNITS

The University has 26 discretely presented component units as discussed in Note 1. These component units comprise 100% of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. Summary financial information from the most recently available audited financial statements for these component units is presented on the following pages in Tables 23, 24, and 25.

## 21 SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. Transportation and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Department of Housing and Residence Education provides safe and affordable living space for students of the University of Florida. Capital improvement debt has been issued over the years to provide funding for the construction of facilities to house students of the University. A summary of the financial activity for these segments is presented in Table 26.

Table 22. Functional Expenses  
(amounts expressed in thousands)

<b>Functional Classifications</b>	<b>Amount</b>
Instruction	\$ 634,096
Research	545,336
Public Service	385,231
Academic Support	150,761
Auxiliary Operations	124,450
Depreciation	116,697
Institutional Support	107,087
Operation and Maintenance of Plant	106,718
Scholarships, Fellowships and Waivers, Net	53,749
Student Services	20,373
<b>Total Operating Expenses</b>	<b>\$ 2,244,498</b>

Table 23. Direct-Support Organizations (amounts expressed in thousands)

	University of Florida Foundation, Inc.	University of Florida Research Foundation, Inc.	The University Athletic Association, Inc.	Gator Boosters, Inc.	The University of Florida Law Center Association, Inc.	Florida Foundation Seed Producers, Inc.
	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012
<b>CONDENSED STATEMENT OF NET ASSETS</b>						
<b>Assets</b>						
Due from Component Units/University	\$ -	\$ -	\$ 130	\$ 3,293	\$ 4,799	\$ -
Other Current Assets	109,279	156,801	72,524	1,916	1,904	6,387
Capital Assets, Net	68,496	-	174,581	19	-	942
Other Noncurrent Assets	<u>1,516,847</u>	<u>520</u>	<u>46,173</u>	<u>414</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u>1,694,622</u>	<u>157,321</u>	<u>293,408</u>	<u>5,642</u>	<u>6,703</u>	<u>7,329</u>
<b>Liabilities</b>						
Due to Component Units/University	19,196	13,320	65	4,332	-	2,916
Other Current Liabilities	19,698	25,634	69,490	233	36	98
Noncurrent Liabilities	<u>31,108</u>	<u>29,100</u>	<u>96,496</u>	<u>110</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>70,002</u>	<u>68,054</u>	<u>166,051</u>	<u>4,675</u>	<u>36</u>	<u>3,014</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	19,049	-	92,600	19	-	942
Restricted-Nonexpendable Endowment	1,124,605	-	-	414	2,044	-
Restricted-Expendable Endowment	213,943	-	-	-	-	-
Restricted-Other	285,897	-	4,232	-	3,123	-
Unrestricted	<u>(18,874)</u>	<u>89,267</u>	<u>30,525</u>	<u>534</u>	<u>1,500</u>	<u>3,373</u>
<b>Total Net Assets</b>	<u>\$ 1,624,620</u>	<u>\$ 89,267</u>	<u>\$ 127,357</u>	<u>\$ 967</u>	<u>\$ 6,667</u>	<u>\$ 4,315</u>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>						
Operating Revenues	\$ 76,712	\$ 36,492	\$ 68,204	\$ 42,581	\$ 890	\$ 2,412
Operating Expenses	<u>(119,209)</u>	<u>(40,004)</u>	<u>(102,112)</u>	<u>(2,502)</u>	<u>(887)</u>	<u>(1,881)</u>
<b>Operating Income (Loss)</b>	<u>(42,497)</u>	<u>(3,512)</u>	<u>(33,908)</u>	<u>40,079</u>	<u>3</u>	<u>531</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment Income	1,346	2,468	1,961	1,436	2	18
Net Decrease in the Fair Value of Investments	(1,211)	(2,943)	(2,627)	-	-	-
Addition to Permanent Endowments	45,224	-	-	9	-	-
Other	(7,014)	869	(6,912)	-	(181)	3
Transfers from/(to) Component Units	<u>(3,579)</u>	<u>-</u>	<u>50,746</u>	<u>(41,520)</u>	<u>113</u>	<u>-</u>
<b>Change in Net Assets</b>	<u>(7,731)</u>	<u>(3,118)</u>	<u>9,260</u>	<u>4</u>	<u>(63)</u>	<u>552</u>
<b>Net Assets, Beginning of Year</b>	<u>1,632,351</u>	<u>92,385</u>	<u>118,097</u>	<u>963</u>	<u>6,730</u>	<u>3,763</u>
<b>Adjustments to Beginning Net Assets</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Assets, Beginning of Year, as Restated</b>	<u>1,632,351</u>	<u>92,385</u>	<u>118,097</u>	<u>963</u>	<u>6,730</u>	<u>3,763</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,624,620</u>	<u>\$ 89,267</u>	<u>\$ 127,357</u>	<u>\$ 967</u>	<u>\$ 6,667</u>	<u>\$ 4,315</u>

Florida 4-H Club Foundation, Inc. 3/31/2012	Southwest Florida Research and Education Foundation, Inc. 6/30/2012	Citrus Research and Education Foundation, Inc. 6/30/2012	Citrus Research and Development Foundation, Inc. 6/30/2012	University of Florida Leadership and Education Foundation, Inc. 12/31/2011	Treasure Coast Agricultural Research Foundation, Inc. 6/30/2012	University of Florida Alumni Association, Inc. 6/30/2012	University of Florida Investment Corporation 6/30/2012	Total Direct Support Organizations
\$ -	\$ -	\$ 48	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,270
1,448	63	1,528	9,510	2,486	350	-	1,463	365,659
-	75	46	-	-	-	-	70	244,229
971	-	-	-	-	-	-	306	1,565,231
2,419	138	1,622	9,510	2,486	350	-	1,839	2,183,389
-	-	-	-	-	-	-	-	39,829
201	3	43	6,895	1,452	30	-	877	124,690
-	-	-	-	-	-	-	399	157,213
201	3	43	6,895	1,452	30	-	1,276	321,732
-	75	-	2,436	-	-	-	-	115,121
259	-	-	-	-	-	-	-	1,127,322
-	-	-	-	-	-	-	-	213,943
1,148	-	-	-	-	-	-	-	294,400
811	60	1,579	179	1,034	320	-	563	110,871
<b>\$ 2,218</b>	<b>\$ 135</b>	<b>\$ 1,579</b>	<b>\$ 2,615</b>	<b>\$ 1,034</b>	<b>\$ 320</b>	<b>\$ -</b>	<b>\$ 563</b>	<b>\$ 1,861,657</b>
\$ 2,078	\$ 60	\$ 1,156	\$ 11,780	\$ 3,941	\$ -	\$ 2,201	\$ -	\$ 248,507
(1,994)	(66)	(668)	(12,241)	(3,662)	(133)	(5,899)	(2,250)	(293,508)
84	(6)	488	(461)	279	(133)	(3,698)	(2,250)	(45,001)
64	-	7	24	-	-	-	2	7,328
-	-	-	-	-	-	-	-	(6,781)
-	-	-	-	-	-	-	-	45,233
16	-	-	-	-	-	-	-	(13,219)
105	-	-	-	100	-	3,698	2,250	11,913
269	(6)	495	(437)	379	(133)	-	2	(527)
1,949	141	1,084	3,052	655	453	-	561	1,862,184
-	-	-	-	-	-	-	-	-
1,949	141	1,084	3,052	655	453	-	561	1,862,184
<b>\$ 2,218</b>	<b>\$ 135</b>	<b>\$ 1,579</b>	<b>\$ 2,615</b>	<b>\$ 1,034</b>	<b>\$ 320</b>	<b>\$ -</b>	<b>\$ 563</b>	<b>\$ 1,861,657</b>



Table 24. Health Science Center Affiliates *(amounts expressed in thousands)*

	Florida Clinical Practice Association, Inc. 6/30/2012	University of Florida Jacksonville Physicians, Inc. 6/30/2012	Faculty Associates, Inc. 6/30/2012
<b>CONDENSED STATEMENT OF NET ASSETS</b>			
<b>Assets</b>			
Due from Component Units/University	\$ 4,561	\$ 4,545	\$ -
Other Current Assets	58,448	50,160	3,546
Capital Assets, Net	32,804	16,278	-
Other Noncurrent Assets	28,896	85	-
<b>Total Assets</b>	<b>124,709</b>	<b>71,068</b>	<b>3,546</b>
<b>Liabilities</b>			
Due to Component Units/University	-	4,993	-
Other Current Liabilities	26,150	11,969	198
Noncurrent Liabilities	264	7,438	-
<b>Total Liabilities</b>	<b>26,414</b>	<b>24,400</b>	<b>198</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	32,449	8,168	-
Restricted	-	-	-
Unrestricted	65,846	38,500	3,348
<b>Total Net Assets</b>	<b>\$ 98,295</b>	<b>\$ 46,668</b>	<b>\$ 3,348</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>			
Operating Revenues	\$ 306,955	\$ 189,757	\$ 17,747
Operating Expenses	(98,506)	(95,819)	(240)
<b>Operating Income (Loss)</b>	<b>208,449</b>	<b>93,938</b>	<b>17,507</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment Income	312	91	2
Net Decrease in the Fair Value of Investments	-	-	-
Other	(265,361)	(110,633)	(17,153)
Transfers from/(to) Component Units	44,760	13,365	-
<b>Change in Net Assets</b>	<b>(11,840)</b>	<b>(3,239)</b>	<b>356</b>
Net Assets, Beginning of Year	110,135	49,907	2,992
Adjustments to Beginning Net Assets	-	-	-
<b>Net Assets, Beginning of Year, as Restated</b>	<b>110,135</b>	<b>49,907</b>	<b>2,992</b>
<b>Net Assets, End of Year</b>	<b>\$ 98,295</b>	<b>\$ 46,668</b>	<b>\$ 3,348</b>

Florida Health Professions Association, Inc. 6/30/2012	University of Florida College of Nursing Faculty Practice Association, Inc. 6/30/2012	University of Florida College of Pharmacy Faculty Practice Association, Inc. 6/30/2012	Florida Veterinary Medicine Faculty Association, Inc. 6/30/2012	University of Florida Jacksonville Healthcare, Inc. 6/30/2012	Faculty Clinic, Inc. 6/30/2012	Total Health Science Center Affiliates
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10	\$ 9,116
4,932	4,182	1,430	9,008	373	1,260	133,339
-	778	-	-	4,336	3,538	57,734
-	-	-	-	-	1,561	30,542
4,932	4,960	1,430	9,008	4,709	6,369	230,731
-	-	-	-	2,288	18	7,299
127	-	51	44	2,052	494	41,085
798	-	-	-	-	4,200	12,700
925	-	51	44	4,340	4,712	61,084
-	778	-	-	4,336	(1,062)	44,669
-	-	-	-	-	1,500	1,500
4,007	4,182	1,379	8,964	(3,967)	1,219	123,478
<b>\$ 4,007</b>	<b>\$ 4,960</b>	<b>\$ 1,379</b>	<b>\$ 8,964</b>	<b>\$ 369</b>	<b>\$ 1,657</b>	<b>\$ 169,647</b>
\$ 6,009	\$ 604	\$ 1,748	\$ 6,539	\$ 215	\$ 368	\$ 529,942
(17)	(52)	(1,422)	(354)	(29,665)	(1,459)	(227,534)
5,992	552	326	6,185	(29,450)	(1,091)	302,408
-	30	1	5	-	8	449
-	(3)	-	-	-	-	(3)
(7,059)	(2)	-	(5,523)	(14)	(89)	(405,834)
-	(600)	-	-	29,464	1,159	88,148
(1,067)	(23)	327	667	-	(13)	(14,832)
5,074	4,983	1,066	8,297	369	1,670	184,493
-	-	(14)	-	-	-	(14)
5,074	4,983	1,052	8,297	369	1,670	184,479
<b>\$ 4,007</b>	<b>\$ 4,960</b>	<b>\$ 1,379</b>	<b>\$ 8,964</b>	<b>\$ 369</b>	<b>\$ 1,657</b>	<b>\$ 169,647</b>

Table 25. Shands Hospital and Others (amounts expressed in thousands)

	Shands Teaching Hospital & Clinics, Inc. 6/30/2012	Shands Jacksonville HealthCare, Inc. 6/30/2012	University Village Apartments, Inc. 6/30/2012	Total Shands Hospital and Others
<b>CONDENSED STATEMENT OF NET ASSETS</b>				
Assets				
Due from Component Units/University	\$ 5,699	\$ -	\$ 112	\$ 5,811
Other Current Assets	377,805	195,331	97	573,233
Capital Assets, Net	721,169	179,426	560	901,155
Other Noncurrent Assets	452,402	42,974	466	495,842
Total Assets	1,557,075	417,731	1,235	1,976,041
Liabilities				
Due to Component Units/University	9,387	-	-	9,387
Other Current Liabilities	176,498	105,586	1,275	283,359
Noncurrent Liabilities	555,868	139,936	-	695,804
Total Liabilities	741,753	245,522	1,275	988,550
Net Assets				
Invested in Capital Assets, Net of Related Debt	234,390	86,439	528	321,357
Restricted-Nonexpendable Endowment	97	-	-	97
Restricted-Other	8,750	3,843	-	12,593
Unrestricted	572,085	81,927	(568)	653,444
<b>Total Net Assets</b>	<b>\$ 815,322</b>	<b>\$ 172,209</b>	<b>\$ (40)</b>	<b>\$ 987,491</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>				
Operating Revenues	\$ 1,086,166	\$ 516,145	\$ 1,395	\$ 1,603,706
Operating Expenses	(918,553)	(508,458)	(1,870)	(1,428,881)
Operating Income (Loss)	167,613	7,687	(475)	174,825
Nonoperating Revenues (Expenses)				
Investment Income	11,424	2,490	1	13,915
Net Increase in the Fair Value of Investments	180	-	-	180
Other	(41,576)	(31,357)	(3)	(72,936)
Transfers from/(to) Component Units	(53,290)	-	-	(53,290)
Change in Net Assets	84,351	(21,180)	(477)	62,694
Net Assets, Beginning of Year	730,971	193,389	214	924,574
Adjustments to Beginning Net Assets	-	-	223	223
Net Assets, Beginning of Year, as Restated	730,971	193,389	437	924,797
<b>Net Assets, End of Year</b>	<b>\$ 815,322</b>	<b>\$ 172,209</b>	<b>\$ (40)</b>	<b>\$ 987,491</b>

Table 26. Segment Information

	Transportation and Parking Services 6/30/2012	Department of Housing and Residence Education 6/30/2012
<b>CONDENSED STATEMENT OF NET ASSETS</b>		
Assets		
Current Assets	\$ 8,042,565	\$ 9,862,165
Capital Assets, Net	41,794,548	93,518,829
Other Noncurrent Assets	7,504,075	30,339,232
Total Assets	57,341,188	133,720,226
Liabilities		
Current Liabilities	1,162,398	10,203,987
Noncurrent Liabilities	24,817,847	71,068,252
Total Liabilities	25,980,245	81,272,239
Net Assets		
Invested in Capital Assets, Net of Related Debt	17,242,404	45,827,785
Restricted	7,014,243	2,939,347
Unrestricted	7,104,296	3,680,855
<b>Total Net Assets</b>	<b>\$ 31,360,943</b>	<b>\$ 52,447,987</b>
<b>CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS</b>		
Operating Revenues (Expenses):		
Operating Revenues	\$ 20,840,292	\$ 45,225,966
Depreciation Expense	(2,316,819)	(4,497,803)
Other Operating Expenses	(13,104,635)	(37,798,289)
Operating Income	5,418,838	2,929,874
Nonoperating Revenues (Expenses):		
Investment Income	307,332	1,042,348
Interest on Capital Asset-Related Debt	(1,321,708)	(2,265,217)
Other	(1,018,316)	(3,845,576)
Transfers	851,899	7,943,096
Net Nonoperating Revenues (Expenses)	(1,180,793)	2,874,651
Change in Net Assets	4,238,045	5,804,525
Net Assets, Beginning of Year	27,122,898	46,643,462
<b>Net Assets, End of Year</b>	<b>\$ 31,360,943</b>	<b>\$ 52,447,987</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,060,656	\$ 5,489,005
Noncapital Financing Activities	(348,064)	(8,998,774)
Capital and Related Financing Activities	(3,875,793)	18,319,730
Investing Activities	(1,836,756)	(21,118,776)
Net Increase (Decrease) in Cash and Cash Equivalents	43	(6,308,815)
Cash and Cash Equivalents, Beginning of Year	43	14,439,027
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 86</b>	<b>\$ 8,130,212</b>

**Other Required Supplementary Information**  
**Schedule of Funding Progress – Other Postemployment Benefits Plan** *(amounts expressed in thousands)*

<b>Actuarial Valuation Date (1)</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (2) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/2007	\$ -	\$ 269,126	\$ 269,126	0%	\$ 788,732	34%
7/1/2009	-	455,677	455,677	0%	948,375	48%
7/1/2011	-	643,742	643,742	0%	996,686	65%

(1) 7/1/2007 was the first year the Postemployment Benefit was accrued.

(2) The entry age cost actuarial method is used by the University.

**Notes to Required Supplementary Information:**

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

The July 1, 2011, unfunded actuarial liability of \$643.7 million was significantly higher than the July 1, 2009, liability of \$455.7 million primarily as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and the passage of the Patient Protection and Affordable Care Act.

Financial Aid Administered for the Year Ended June 30, 2012 *(unaudited)*

	Number of Recipients	Aid Disbursed
<b>Federal Programs</b>		
Pell Grants	12,383	\$ 46,556,249
Supplemental Educational Opportunity Grants	3,318	2,114,449
National SMART Grant	238	203,437
Academic Competitiveness Grants	589	129,892
TEACH Grant	12	39,500
Perkins Student Loans	1,339	3,814,365
Health Professions Student Loans (PCL, LDS, HPSL)	62	567,466
Direct Loans	20,284	245,794,280
<b>TOTAL FEDERAL FINANCIAL AID ADMINISTERED</b>	<b>38,225</b>	<b>\$ 299,219,638</b>
<b>State Programs</b>		
Loans:		
University of Florida Short-Term Loans	656	\$ 771,088
Student Aid For Education (SAFE) Loans	82	178,750
University of Florida Long-Term Loans	177	681,255
Total Loans Administered	915	1,631,093
Scholarships and Grants:		
State of Florida Financial Aid Program	30,542	66,363,995
Lottery Trust Grant Funded Waivers	396	1,410,373
Total State Scholarships and Grants Administered	30,938	67,774,368
<b>TOTAL STATE FINANCIAL AID ADMINISTERED</b>	<b>31,853</b>	<b>\$ 69,405,461</b>
<b>Other Scholarships and Grants</b>		
Institutional Grants:		
College Awarded Scholarships	12,316	\$ 39,489,728
Graduate Tuition Remission Waivers	2,990	20,574,986
General Scholarships	8,058	12,085,789
Total Institutional Scholarships and Grants	23,364	72,150,503
Custodial Scholarships:		
Tuition, Trusts, Clubs, Service Organizations, etc.	4,829	10,876,596
<b>TOTAL OTHER SCHOLARSHIPS AND GRANTS</b>	<b>28,193</b>	<b>\$ 83,027,099</b>
<b>Fee Waivers</b>		
Non-Resident Tuition Waivers	406	\$ 5,106,636
Other Waivers	5,421	37,200,927
<b>TOTAL FEE WAIVERS ADMINISTERED</b>	<b>5,827</b>	<b>\$ 42,307,563</b>
<b>TOTAL FINANCIAL AID ADMINISTERED</b>		<b>\$ 493,959,761</b>



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534  
FAX: 850-488-6975

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

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

We have audited the financial statements of the University of Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to 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. Other auditors 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, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, with which noncompliance 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*.

We noted certain matters that we reported to University management in our operational audit report No. 2013-027.

This **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
December 13, 2012  
Audit Report No. 2013-063



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Stuart E. Hoskins

*Senior Associate Controller for University Financial Services and Treasury Management*

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Dr. Steven M. Scott  
Boca Raton, FL



Jose Antonio Villamil, IV  
University of Florida  
Student Body President



Alfred C. Warrington, IV  
Freeport, TX

Design:  
Photography:

University Relations Creative Services  
University Relations, Tyler Jones / IFAS,  
Matthew Lester, photos.com, Russ Bryant,  
Buster O'Connor / Verdeo



Michael V. McKee  
Assistant Vice President and  
University Controller  
Post Office Box 113200  
Tigert Hall, Room 207  
Gainesville, FL 32611-3200  
[mckee@ufl.edu](mailto:mckee@ufl.edu)

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the Board of Governors of the State of Florida (the “Board”), the University of Florida (the “University”) and the Division of Bond Finance of the State Board of Administration of Florida (the “Division”) in connection with the issuance of \$41,540,000 State of Florida, Board of Governors, University of Florida Student Activity Revenue Bonds, Series 2013 (the “Bonds”). This Disclosure Agreement is being executed and delivered pursuant to Section 6.04 of the resolution adopted by the Governor and Cabinet, as the Governing Board of the Division of Bond Finance, on June 26, 2012, authorizing the issuance of the Bonds (the “Resolution”). The Board, the University and the Division covenant and agree as follows:

**SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT.** This Disclosure Agreement is being executed and delivered by the Board, the University, and the Division for the benefit of the Registered Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”). It shall inure solely to the benefit of the Board, the University, the Division, the Registered Owners, the Beneficial Owners and the Participating Underwriters.

**SECTION 2. DEFINITIONS.** In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

**SECTION 3. CONTINUING DISCLOSURE.** (A) Information To Be Provided. The Board and the University assume all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Board and the University hereby agree to provide or cause to be provided the information set forth below, or such other information as may be required, from time to time, to be provided by the Rule or the Division. The Division will be responsible for the filing of the information required by the Rule.

(1) Financial Information and Operating Data. For fiscal years ending on June 30, 2013 and thereafter, annual financial information and operating data shall be provided within nine months after the end of the University’s fiscal year. Such information shall include:

- (a) Fall Semester Headcount Enrollment and Annual Student Credit Hours;
- (b) Student Activity and Service Fee Rates;
- (c) Pledged Revenues;
- (d) Debt Service Coverage;
- (e) Investment of Funds;
- (f) University Financial Statements; and
- (g) Litigation.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the University’s audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

(3) Material Events Notices. Notice of the following events relating to the Bonds will be provided in a timely manner not in excess of ten business days after the occurrence of the event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt-service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (g) modifications to rights of security holders, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the securities, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (m) the consummation of merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(4) Failure to Provide Annual Financial Information; Remedies.

(a) Notice of the failure of the Board or the University to provide the information required by paragraphs (A) (1) or (A)(2) of this Section will be provided in a timely manner.

(b) The Board and the University acknowledge that their undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Registered Owners of the Bonds and shall be enforceable only by such Beneficial Owners and Registered Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Resolution and shall be limited to a right to obtain specific enforcement of the Board's and the University's obligations hereunder.

(B) Methods of Providing Information.

(1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the Municipal Securities Rulemaking Board (hereafter "MSRB") using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.

(2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.

(b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in

narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Board's and the University's obligations hereunder shall continue until such time as the Bonds are no longer Outstanding or until the Board and the University shall otherwise no longer remain obligated on the Bonds.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted;

(3) this Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 of the SEC at the time of the primary offering, after taking into account any amendments or interpretations of the rule, as well as any change in circumstances; and

(4) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the issuer or obligated person (such as the trustee or bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

SECTION 4. ADDITIONAL INFORMATION. If, when submitting any information required by this Disclosure Agreement, the Board or the University chooses to include additional information not specifically required by this Disclosure Agreement, neither the Board nor the University shall have any obligation to update such information or include it in any such future submission.

Dated this \_\_\_\_ day of \_\_\_\_\_, 2013.

Board of Governors

Division of Bond Finance

By \_\_\_\_\_  
Chairman

By \_\_\_\_\_  
Assistant Secretary

University of Florida

By \_\_\_\_\_  
President

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[FORM OF BOND COUNSEL OPINION]

September 10, 2013

Board of Governors  
Tallahassee, Florida

Division of Bond Finance of the  
State Board of Administration of Florida  
Tallahassee, Florida

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of Governors (the "Board"), the Division of Bond Finance of the State Board of Administration of Florida (the "Division of Bond Finance"), the State Board of Administration of the State of Florida, applicable provisions of the Constitution and laws of the State of Florida, and other proofs submitted to us relative to the issuance and sale of:

\$41,540,000  
STATE OF FLORIDA  
BOARD OF GOVERNORS  
UNIVERSITY OF FLORIDA  
STUDENT ACTIVITY REVENUE BONDS  
SERIES 2013  
Dated September 10, 2013  
(the "Bonds")

The Bonds are being issued by the Division of Bond Finance in the name of and on behalf of the Board for the purpose of financing the 2013 Project and paying certain costs associated with the issuance of the Bonds, under the authority of and in full compliance with the Constitution and statutes of the State of Florida, including particularly Sections 215.57-215.83, Florida Statutes, Section 1010.62, Florida Statutes and other applicable provisions of law. The principal of, premium, if any, and interest on the Bonds will be secured by and payable solely from a pledge of the Pledged Revenues (as defined in the hereinafter defined Resolution) on a parity with any Additional Parity Bonds (as defined in the hereinafter defined Resolution).

The Bonds do not constitute a general obligation of the State of Florida or any political subdivision thereof within the meaning of any constitutional, statutory or other limitation of indebtedness and the owners thereof shall never have the right to compel the exercise of any ad valorem taxing power or taxation in any form for the payment of the principal of or interest on the Bonds.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. That such proceedings and proofs show lawful authority for issuance and sale of the Bonds pursuant to the Constitution and statutes of the State of Florida and pursuant to resolutions authorizing the issuance and sale of the Bonds duly adopted by the Governing Board of the Division of Bond Finance on June 26, 2012 (the "Resolution"), and a resolution of the Board adopted on June 21, 2012.

2. The Bonds (i) have been duly authorized, executed and delivered by the Division of Bond Finance and the Board and (ii) are valid and binding special obligations of the Board enforceable in accordance with their terms, payable solely from the sources provided therefor in the Resolution.

3. The Bonds and the income thereon are not subject to any State tax except estate taxes imposed by Chapter 198, Florida Statutes, as amended, and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

4. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. The Division of Bond Finance and the Board have covenanted in the Resolution to comply with such requirements in order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds.

Subject to compliance by the Division of Bond Finance and the Board with the aforementioned covenants, (a) interest on the Bonds is excluded from gross income for purposes of federal income taxation, and (b) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. We express no opinion regarding other federal tax consequences caused by the ownership of or the receipt of interest on or the disposition of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

In rendering the foregoing opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not independently verified the accuracy or truthfulness thereof and the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

Our opinions expressed herein are predicated upon present law, facts and circumstances as of the date of issuance and delivery of the Bonds, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after such date.

As Bond Counsel, we have not been engaged nor have we, in such capacity, undertaken to review the accuracy, completeness or sufficiency of any offering material relating to the Bonds and we express no opinion herein relating thereto.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

## PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS

### The Depository Trust Company and Book-Entry Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DIVISION OF BOND FINANCE BELIEVES TO BE RELIABLE; HOWEVER, THE DIVISION OF BOND FINANCE TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

DTC will act as securities depository for the 2013 Bonds. The 2013 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, the "Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2013 Bonds, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2013 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect

to the 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2013 Bond documents. For example, Beneficial Owners of 2013 Bonds may wish to ascertain that the nominee holding the 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2013 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division of Bond Finance as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Bond Registrar/Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, (nor its nominee), the Bond Registrar/Paying Agent, the Division of Bond Finance, or the Board of Governors, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Registrar/Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the 2013 Bonds at any time by giving reasonable notice to the Division of Bond Finance or Bond Registrar/Paying Agent and discharging its responsibilities with respect thereto under applicable law. The Division of Bond Finance may decide to discontinue use of the system of book-entry transfers for the 2013 Bonds through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the 2013 Bonds will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2013 Bonds.

For every transfer and exchange of beneficial interests in the 2013 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

So long as Cede & Co., as nominee of DTC, is the registered owner of the 2013 Bonds, references herein to the Registered Owners or Holders of the 2013 Bonds shall mean Cede & Co. and not mean the Beneficial Owners of the 2013 Bonds unless the context requires otherwise.

The Division of Bond Finance, the Board of Governors and the Bond Registrar/Paying Agent will not have any responsibility or obligation with respect to:

- (i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the 2013 Bonds;
- (ii) the delivery to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any notice with respect to any 2013 Bond, including, without limitation, any notice of redemption;
- (iii) the payment to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Bond Register, of any amount with respect to the principal of, premium, if any, or interest on the 2013 Bonds, or the purchase price of, any 2013 Bond;

- (iv) any consent given by DTC or any successor securities depository as registered owner; or
- (v) the selection by DTC or any DTC Participant or by any successor depository or its participants of the beneficial ownership interests in the 2013 Bonds for partial redemption.

So long as the 2013 Bonds are held in book-entry only form, the Division of Bond Finance, the Board of Governors and the Bond Registrar/Paying Agent may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the 2013 Bonds for all purposes whatsoever, including, without limitation:

- (i) the payment of the principal of, premium, if any, and interest on the 2013 Bonds;
- (ii) giving notices of redemption and other matters with respect to the 2013 Bonds;
- (iii) registering transfers with respect to the 2013 Bonds; and
- (iv) the selection of the beneficial ownership interests in the 2013 Bonds for partial redemption.

#### **Payment, Registration, Transfer and Exchange**

*The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.*

The Division of Bond Finance, the Board of Governors and the Bond Registrar/Paying Agent may treat the Registered Owner of any 2013 Bond as the absolute owner for all purposes, whether or not such 2013 Bond is overdue, and will not be bound by any notice to the contrary.

Principal of and premium, if any, on the 2013 Bonds will be payable upon presentation and surrender of the 2013 Bonds when due at the corporate trust office of U.S. Bank Trust National Association, New York, New York, as Bond Registrar/Paying Agent.

Each 2013 Bond will be transferable or exchangeable only upon the registration books by the Registered Owner or an attorney duly authorized in writing, upon surrender of such 2013 Bond to the Bond Registrar/Paying Agent together with a written instrument of transfer (if so required) satisfactory in form to the Division of Bond Finance of Bond Finance and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or a duly authorized attorney. Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any 2013 Bond, duly endorsed for transfer or accompanied by an assignment in accordance with the Resolution, the Bond Registrar/Paying Agent will deliver in the name of the transferee(s) a fully registered 2013 Bond of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Neither the Division of Bond Finance nor the Bond Registrar/Paying Agent may charge the Registered Owner or transferee for any expenses incurred in making any exchange or transfer of the 2013 Bonds. However, the Division of Bond Finance and the Bond Registrar/Paying Agent may require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses must be paid before any such new 2013 Bond is delivered.

The Bond Registrar/Paying Agent will not be required to issue, transfer or exchange any 2013 Bonds on the Record Date.

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