



UNIVERSITY OF CENTRAL FLORIDA

**Board of Trustees
Finance and Facilities Committee Meeting
December 13, 2017
8:30 a.m.
President's Boardroom, Millican Hall, 3rd floor
Conference call in phone number 800-442-5794, passcode 463796**

AGENDA

- | | |
|--|---|
| I. CALL TO ORDER | Alex Martins
<i>Chair, Finance and Facilities Committee</i> |
| II. ROLL CALL | Tracy D. Slavik
<i>Coordinator for Administration Services for
Administration and Finance Division</i> |
| III. MEETING MINUTES | |
| <ul style="list-style-type: none">• Approval of the October 18, 2017, and October 26, 2017, Finance and Facilities Committee meetings minutes | Chair Martins |
| IV. NEW BUSINESS | Chair Martins |
| <ul style="list-style-type: none">• UCF Downtown Tri-Generation Facility Update (FFC-1) | William F. Merck II
<i>Vice President for Administration and Finance
and Chief Financial Officer</i>
Lee Kernek
<i>Associate Vice President for Administration
and Finance</i> |
| <ul style="list-style-type: none">• Direct Support Organizations' 2017-18 First-Quarter Financial Reports (INFO-1)<ul style="list-style-type: none">– UCF Athletic Association and UCF Stadium Corporation– UCF Convocation Corporation– UCF Finance Corporation– UCF Foundation– UCF Limbitless Solutions | William F. Merck II
John C. Pittman
<i>Associate Vice President for Administration
and Finance, Debt Management</i> |

– UCF Research Foundation

- University Draft Audited Financial Report 2016-17 [\(INFO-2\)](#)
William F. Merck II
Christy Tant
Controller and Assistant Vice President
- UCF Key Financial Ratios [\(INFO-3\)](#)
William F. Merck II
Christy Tant
- University Operating Budget Report Quarter Ended September 30, 2017 [\(INFO-4\)](#)
William F. Merck II
Christy Tant
- UCF Investments Quarterly Report Ended September 30, 2017 [\(INFO-5\)](#)
William F. Merck II
Christy Tant
- UCF Facilities Planning and Construction Departmental Assessment Follow-up [\(INFO-6\)](#)
William F. Merck II
Rhonda L. Bishop
Chief Compliance and Ethics Officer
Peter J. Wallace
Senior Vice President, HKA

V. OTHER BUSINESS

Chair Martins

VI. CLOSING COMMENTS

Chair Martins



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
President's Boardroom, Millican Hall, 3rd floor
October 18, 2017

MINUTES

CALL TO ORDER

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 8:30 a.m. Committee members William Self and David Walsh were present. Committee member Nick Larkins attended by teleconference call. Chairman Marcos Marchena was present.

MINUTES APPROVAL

The minutes of the August 16, 2017, and September 26, 2017, Finance and Facilities Committee meetings were approved as submitted.

NEW BUSINESS

Commercial Lease by and between TSLF Church Street Exchange, LLC, and University of Central Florida Board of Trustees (FFC-1)

William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer, Dale Whittaker, Provost and Executive Vice President, and Jennifer Cerasa, Associate General Counsel, presented for approval the commercial lease agreement for approximately 17,189 square feet of the ground floor of The Church Street Exchange, located at 101 South Garland Avenue in Orlando. The lease term will commence on November 1 and continue for 48 months. The lease is currently occupied by CanvsOrl, Inc., and is contingent upon the termination of the existing lease on or before November 1, 2017. It is the landlord's intention to immediately sublease the space back to CanvsOrl, Inc., mirroring the terms and conditions of the lease. The committee unanimously approved the lease as presented.

Revision to Florida Solar Energy Center Rules 6C7-8.009 and 6C7-8.010 (FFC-2)

Youndy C. Cook, Deputy General Counsel, presented for approval amendments to existing Florida Solar Energy Center rules 6C7-8.009 Fees for Solar Testing, Certification, Inspection, and Other Related Services and 6C7-8.010 Solar Thermal and Photovoltaic System Standards and Certification. Rule 6C7-8.009 is being amended to update the fee schedule and consolidate the list of fees. Rule 6C7-8.010 is being amended to incorporate a new certifications standard protocol. The committee unanimously approved the revisions to the rules as presented.

Amendments to University Regulation UCF-4.019 Fee Policy—Payments, Refunds, and Release of Fee Liability (FFC-3)

Cook presented for approval amendments to existing university regulation UCF-4.019 Fee Policy—Payments, Refunds, and Release of Fee Liability, which is being amended to clarify the language for students filing petitions for medical withdrawals and late drops. The committee unanimously approved the amendments as presented.

Five-year Capital Improvement Plan Revised (FFC-4)

Lee Kernek, Associate Vice President for Administration and Finance, presented for approval the revised capital improvement plan for 2018-19 through 2022-23. The capital improvement plan was approved by the Board of Trustees at the July 20, 2017, meeting. However, the Rosen Educational Facility now needs to be located in the three-year Public Education Capital Outlay list. This project was originally planned to be funded 100 percent from donations, but could now be funded from 50 percent PECO and 50 percent donations. In addition, the Research Building I funding was originally requested over three years, but now the entire PECO allocation is being requested in 2018-19. The committee unanimously approved the revised capital improvement plan as presented.

Lake Nona Incubator Lease Agreement (FFC-5)

This item was removed from the agenda at the start of the meeting.

Medically Integrated Fitness and Sports Performance Center in Lake Nona (FFC-6)

Deborah C. German, Vice President for Medical Affairs and Dean of the UCF College of Medicine, and Jeanette C. Schreiber, Associate Vice President for Medical Affairs and Chief Legal Officer for the UCF College of Medicine, requested approval for UCF Academic Health, Inc., to 1) participate in a Medically Integrated Fitness and Sports Performance Center at Lake Nona and 2) authorize UCF Academic Health and Central Florida Clinical Practice Organization to approve the execution and implementation of all necessary agreements.

Academic Health and Clinical Practice Organization have been working with partners Tavistock, Signet, and Integrated Wellness Partners, who are developing in Lake Nona a Medically Integrated Fitness and Sports Performance Center. The center will include a proposed clinical services location for UCF Health and provide research and educational opportunities in health and wellness for medical students, residents, and other UCF health sciences students and faculty. Academic Health proposes to enter into an affiliation agreement and sublicense agreement with the developers of the fitness and sports center. Clinical Practice Organization will lease 10,000 square feet in the center for UCF clinical and community activities.

The committee unanimously approved the requests. Chairman Marchena urged the university to be cautious and strategic in where it places the University of Central Florida College of Medicine name. It was also requested that the Tavistock and Signet lease contain an exclusivity clause to prohibit competing athletic facilities in the immediate area.

UCF Investments Quarterly Report Ended June 30, 2017 (INFO-1)

Tracy Clark, Associate Provost for Budget, Planning, and Administration and Associate Vice President for Finance, presented the UCF Investments Quarterly Report for the quarter that ended June 30, 2017.

University Operating Budget Report Ended June 30, 2017 (INFO-2)

Clark presented the University Operating Budget Report for the quarter that ended June 30, 2017.

Direct Support Organizations' 2016-17 Fourth-Quarter Financial Reports (INFO-3)

Merck and John Pittman, Associate Vice President for Administration and Finance, Debt Management, reported that the 2016-17 fourth-quarter financial reports ended June 30, 2017, for the UCF DSOs were provided as information items.

University and DSO Debt Report (INFO-4)

Pittman reported that the University and DSO Debt Report that also includes debt coverage ratios was provided as an information item.

Chair Martins adjourned the Finance and Facilities Committee meeting at 9:53 a.m.

Respectfully submitted: William F. Merck II
William F. Merck II
Vice President for Administration and Finance
and Chief Financial Officer

11.17.17
Date



UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
FAIRWINDS Alumni Center
October 26, 2017

MINUTES

CALL TO ORDER

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 9 a.m. Committee members Nick Larkins, William Self, and David Walsh were present. Committee members Robert Garvy and Bill Yeargin attended by teleconference call. Chairman Marcos Marchena was present. Trustees Clarence Brown, John Lord, and Beverly Seay were present.

NEW BUSINESS

Garvy Center for Student-Athlete Nutrition (FFC-1)

William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer, presented for approval the revised budget for the Garvy Center for Student-Athlete Nutrition; a revision to the Capital Improvement Plan for 2018-19 through 2022-23; and the addition to the University of Central Florida 2015-25 Campus Master Plan Update. The project budget was previously approved at \$1.85 million as part of the 2018-23 Capital Improvement Plan at the July 20, 2017 Board of Trustees meeting. Now that the facility design is complete, the new project budget is \$2.5 million. All funding is from private sources. The committee unanimously approved the requests, with Trustee Garvy recusing himself because of personal involvement in the Garvy Center for Student-Athlete Nutrition.

Chair Martins adjourned the Finance and Facilities Committee meeting at 9:05 a.m.

Respectfully submitted: William F. Merck II 11-17-17
William F. Merck II Date
Vice President for Administration and Finance
and Chief Financial Officer

ITEM: FFC-1

**University of Central Florida
Board of Trustees
Finance and Facilities Committee**

SUBJECT: UCF Downtown Tri-Generation Facility Update

DATE: December 13, 2017

PROPOSED COMMITTEE ACTION

Recommend approval of the change in facility, revised budget, and renaming of the UCF Downtown Tri-Generation Facility.

BACKGROUND INFORMATION

The UCF Downtown Tri-Generation Facility project has been revised and should be renamed the UCF Downtown Central Energy Plant.

The original funding approved by the Board of Trustees was \$10.1 million and had a payback of 10 years for Phase I. After exploring numerous design and modeling scenarios, it was determined the initial budget is not sufficient to build the first phase of the project, and the initial payback schedule did not accurately anticipate the sizing and power generation needs of the planned facilities. In addition, the payback period of the power generation component does not reasonably justify the initial and continued operating costs of a campus this size.

As such, the design and phased construction of a central energy plant will move forward to meet only the chilled water needs of the campus. The UCF Downtown Central Energy Plant will cost \$12.3 million and will not have a payback.

In addition to the costs of the UCF Downtown Central Energy Plant, the decision to move from a tri-generation facility to a traditional central energy plant has cost implications for the Dr. Phillips Academic Commons. As a result of not self-generating power and hydronic hot water, changes are required, including adding boilers, emergency power generation, emergency circuits, and an external equipment yard. The design and construction costs for these changes increase the academic building budget by \$1.3 million.

Supporting documentation: None

Prepared by: Lee Kernek, Associate Vice President for Administration and Finance

Submitted by: William F. Merck II, Vice President for Administration and Finance
and Chief Financial Officer

ITEM: INFO-1

**University of Central Florida
Board of Trustees
Finance and Facilities Committee**

SUBJECT: Direct Support Organizations' 2017-18 First-Quarter Financial Reports

DATE: December 13, 2017

For information only.

Supporting documentation: Attachment A: UCF Athletic Association and Stadium Corporation
Attachment B: UCF Convocation Corporation
Attachment C: UCF Finance Corporation
Attachment D: UCF Foundation
Attachment E: UCF Limitless Solutions
Attachment F: UCF Research Foundation

Prepared by: John C. Pittman, Associate Vice President for Administration and Finance, Debt Management

Submitted by: William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer

Finance and Facilities Committee Meeting - New Business

Attachment A UCF Athletic Association and UCF Stadium Corporation Consolidated Statement of Operations For the quarter ended September 30, 2017

	UCF Athletic Association	UCF Stadium Corporation	Combined	UCF Athletic Association	UCF Stadium Corporation	Combined	Variance to Budget		UCF Athletic Association	UCF Stadium Corporation	Combined	Variance to Prior Year	
	Actual 2017-18	Actual 2017-18	Actual 2017-18	Budget 2017-18	Budget 2017-18	Budget 2017-18	Favorable (Unfavorable)		Actual 2016-17	Actual 2016-17	Actual 2016-17	Favorable (Unfavorable)	
Operating revenues													
Athletic events, including premium seating	\$ 2,734,752	\$ 1,618,361	\$ 4,353,113	\$ 3,297,970	\$ 1,700,000	\$ 4,997,970	(644,857)	(12.90)%	\$ 3,328,721	\$ 1,966,614	\$ 5,295,335	\$ (942,222)	(17.79)%
University allocations	13,042,772	-	13,042,772	13,091,515	-	13,091,515	(48,743)	(0.37)%	12,346,791	-	12,346,791	695,981	5.64 %
Sponsorship	12,689	750,000	762,689	210,000	750,000	960,000	(197,311)	(20.55)%	407,999	750,000	1,157,999	(395,310)	(34.14)%
Contributions	405,333	-	405,333	419,174	-	419,174	(13,841)	(3.30)%	175,125	10,000	185,125	220,208	118.95 %
Other	168,456	-	168,456	167,740	-	167,740	716	0.43 %	114,168	-	114,168	54,288	47.55 %
Total operating revenues	16,364,002	2,368,361	18,732,363	17,186,399	2,450,000	19,636,399	(904,036)	(4.60)%	16,372,804	2,726,614	19,099,418	(367,055)	(1.92)%
Operating expenses													
Scholarships	3,309,410	-	3,309,410	3,333,780	-	3,333,780	24,370	0.73 %	3,467,242	-	3,467,242	157,832	4.55 %
Employee compensation	5,162,603	-	5,162,603	5,096,814	-	5,096,814	(65,789)	(1.29)%	4,851,037	-	4,851,037	(311,566)	(6.42)%
Sport operations	2,322,123	-	2,322,123	2,302,925	-	2,302,925	(19,198)	(0.83)%	2,225,624	-	2,225,624	(96,499)	(4.34)%
Support operations	2,161,746	-	2,161,746	2,132,007	-	2,132,007	(29,739)	(1.39)%	1,601,092	-	1,601,092	(560,654)	(35.02)%
Other	1,314,389	99,460	1,413,849	\$1,359,641	134,686	1,494,327	80,478	5.39 %	559,660	14,261	573,921	(839,928)	(146.35)%
Total operating expenses	14,270,271	99,460	14,369,731	14,225,167	134,686	14,359,853	(9,878)	(0.07)%	12,704,655	14,261	12,718,916	(1,650,815)	(12.98)%
Net operating income	2,093,731	2,268,901	4,362,632	2,961,232	2,315,314	5,276,546	(913,914)	(17.32)%	3,668,149	2,712,353	6,380,502	(2,017,870)	(31.63)%
Nonoperating revenues (expenses)													
Net transfers to Stadium Corporation from UCFAA	(3,366,775)	3,366,775	-	(3,366,775)	3,366,775	-	-	-	(963,566)	963,566	-	-	-
Interest income	-	15,439	15,439	-	7,500	7,500	7,939	105.86 %	-	10,215	10,215	5,224	51.14 %
Interest (expense)	(46,737)	(318,952)	(365,689)	(26,496)	(350,000)	(376,496)	10,807	2.87 %	(26,553)	(326,507)	(353,060)	(12,629)	(3.58)%
Capital project donations - Athletics	-	-	-	-	-	-	-	-	25,000	-	25,000	(25,000)	100.00 %
Restricted accounts revenue	30,506	-	30,506	30,390	-	30,390	116	0.38 %	300,430	-	300,430	(269,924)	89.85 %
Restricted accounts outlay	(27,214)	-	(27,214)	(28,625)	-	(28,625)	1,411	4.93 %	(92,017)	-	(92,017)	64,803	70.43 %
Capital projects outlay	(419,228)	-	(419,228)	(429,052)	-	(429,052)	9,824	2.29 %	(69)	-	(69)	(419,159)	(607476.81)%
Total nonoperating expenses	(3,829,448)	3,063,262	(766,186)	(3,820,558)	3,024,275	(796,283)	18,746	2.35 %	(756,775)	647,274	(109,500)	(656,685)	(599.71)%
Net increase (decrease) from operations	\$ (1,735,717)	\$ 5,332,163	\$ 3,596,446	\$ (859,326)	\$ 5,339,589	\$ 4,480,264	\$ (895,168)		\$ 2,911,374	\$ 3,359,628	\$ 6,271,002	\$ (2,674,555)	
Debt service:													
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	\$ -	-
Interest	46,737	318,952	365,689	26,496	350,000	376,496	10,807	(2.87)%	26,553	326,507	353,060	(12,629)	(3.58)%
Total Debt Service	\$ 46,737	\$ 318,952	\$ 365,689	\$ 26,496	\$ 350,000	\$ 376,496	\$ 10,807	(2.87)%	\$ 26,553	\$ 326,507	\$ 353,060	\$ (12,629)	(3.58)%

Attachment B

UCF Convocation Corporation
Statement of Operations
For the quarter ended September 30, 2017

	2017-18				2016-17			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Housing Operations								
Revenues								
Apartment rentals	\$ 8,677,456	\$ 8,712,500	\$ (35,044)	(0.4)%	\$ 8,702,427	\$ 8,675,000	\$ 27,427	0.3 %
Parking	259,097	259,097	-	0.0 %	259,097	259,097	-	0.0 %
Other	31,013	18,750	12,263	65.4 %	32,130	2,000	30,130	1506.5 %
Total revenues	8,967,566	8,990,347	(22,781)	(0.3)%	8,993,654	8,936,097	57,557	0.6 %
Total expenses	2,484,339	2,620,356	136,017	5.2 %	1,937,374	2,186,889	249,515	11.4 %
Net increase from housing operations	6,483,227	6,369,991	113,236	1.8 %	7,056,280	6,749,208	307,072	4.5 %
Retail Operations								
Total revenues	448,499	462,626	(14,127)	(3.1)%	481,353	475,475	5,878	1.2 %
Total expenses	124,909	178,693	53,784	30.1 %	122,713	166,160	43,447	26.1 %
Net increase from retail operations	323,590	283,933	39,657	14.0 %	358,640	309,315	49,325	15.9 %
Arena Operations								
Revenues								
Event related	1,233,740	470,397	763,343	162.3 %	1,356,196	1,021,162	335,034	32.8 %
Premium seating and sponsorship	207,625	210,000	(2,375)	(1.1)%	78,531	137,950	(59,419)	(43.1)%
Rental Income	2,333,750	2,333,750	-	0.0 %	2,333,750	2,333,750	-	0.0 %
Other	36,786	46,126	(9,340)	(20.2)%	39,079	76,929	(37,850)	(49.2)%
Total revenues	3,811,901	3,060,273	751,628	24.6 %	3,807,556	3,569,791	237,765	6.7 %
Expenses								
Direct event	1,142,518	502,293	(640,225)	(127.5)%	1,039,212	792,104	(247,108)	(31.2)%
Operating and indirect event	2,067,243	2,086,206	18,963	0.9 %	1,006,666	1,025,311	18,645	1.8 %
Direct premium seating	72,465	72,465	-	0.0 %	70,840	70,840	-	0.0 %
Total expenses	3,282,226	2,660,964	(621,262)	(23.3)%	2,116,718	1,888,255	(228,463)	(12.1)%
Net increase (decrease) from arena operations	529,675	399,309	130,366	32.6 %	1,690,838	1,681,536	9,302	0.6 %
Net increase from total operations	\$ 7,336,492	\$ 7,053,233	\$ 283,259	4.0 %	\$ 9,105,758	\$ 8,740,059	\$ 365,699	4.2 %
Debt Service								
Principal	\$ -				\$ -			
Interest	-				-			
Total Debt Service	\$ -				\$ -			

Attachment C
UCF Finance Corporation
Statement of Operations
For the quarter ended September 30, 2017

	2017-18				2016-17			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
University transfers	\$ 1,035,832	\$ 823,814	\$ 212,018	25.7 %	\$ 732,347	\$ 716,453	\$ 15,894	2.2 %
Interest	9,178	1,625	7,553	464.8 %	1,798	-	1,798	100.0 %
Total revenues	<u>1,045,010</u>	<u>825,439</u>	<u>219,571</u>	<u>26.6 %</u>	<u>734,145</u>	<u>716,453</u>	<u>17,692</u>	<u>2.5 %</u>
Expenses								
Operating	16,155	16,025	(130)	(0.8)%	4,011	4,250	239	5.6 %
Interest	588,926	572,729	(16,197)	(2.8)%	590,381	572,203	(18,178)	(3.2)%
Debt related	439,929	236,685	(203,244)	(85.9)%	139,753	140,000	247	0.2 %
Total expenses	<u>1,045,010</u>	<u>825,439</u>	<u>(219,572)</u>	<u>(26.6)%</u>	<u>734,145</u>	<u>716,453</u>	<u>(17,692)</u>	<u>(2.5)%</u>
Net change from operations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Debt Service								
Principal	\$ 1,490,000				\$ 1,415,000			
Interest	588,926				590,381			
Total Debt Service	<u>\$ 2,078,926</u>				<u>\$ 2,005,381</u>			

Attachment D
UCF Foundation
Unrestricted Operations
For the quarter ended September 30, 2017

	2017 - 18				2016 - 17			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Unrestricted revenues								
University and other related support	\$ 3,875,120	\$ 3,844,803	\$ 30,317	0.8 %	\$ 3,616,955	\$ 3,513,620	\$ 103,335	2.9%
Gifts, fees, and investment earnings	1,519,555	1,388,155	131,400	9.5 %	1,374,628	1,310,417	64,211	4.9%
Real estate operations	736,250	736,250	-	0.0 %	595,557	544,500	51,057	9.4%
Total unrestricted revenue	<u>6,130,925</u>	<u>5,969,208</u>	<u>161,717</u>	<u>2.7 %</u>	<u>5,587,140</u>	<u>5,368,537</u>	<u>218,603</u>	<u>4.1%</u>
Unrestricted expenses								
Academic and university support	1,414,698	1,551,371	136,673	8.8 %	1,374,592	1,512,092	137,500	9.1%
Development, alumni relations, and operations	4,419,340	4,710,561	291,221	6.2 %	4,595,254	5,385,157	789,903	14.7%
Total unrestricted expenses	<u>5,834,038</u>	<u>6,261,932</u>	<u>427,894</u>	<u>6.8 %</u>	<u>5,969,846</u>	<u>6,897,249</u>	<u>927,403</u>	<u>13.4%</u>
Net increase (decrease) from unrestricted operations	<u>\$ 296,887</u>	<u>\$ (292,724)</u>	<u>\$ 589,611</u>	<u>201.4 %</u>	<u>\$ (382,706)</u>	<u>\$ (1,528,712)</u>	<u>\$ 1,146,006</u>	<u>75.0 %</u>
Debt Service								
Principal	\$ -				\$ 397,500			
Interest	-				301,777			
Total Debt Service	<u>\$ -</u>				<u>\$ 699,277</u>			

Attachment E
Limbitless Solutions Inc.
Statement of Operations
For the quarter ended September 30, 2017

2017-18¹

	Actual	Budget	Variance Favorable (Unfavorable)	
Revenues				
Donations	\$ 27,227	\$ 18,750	\$ 8,477	45.2 %
Sponsorships	-	18,750	(18,750)	(100.0)%
Total revenues	<u>27,227</u>	<u>37,500</u>	<u>(10,273)</u>	<u>(27.4)%</u>
Expenses				
Operating expenses	<u>25,522</u>	<u>35,450</u>	<u>9,928</u>	<u>28.0 %</u>
Total expenses	<u>25,522</u>	<u>35,450</u>	<u>9,928</u>	<u>28.0 %</u>
Net change from operations	<u>\$ 1,705</u>	<u>\$ 2,050</u>	<u>\$ (345)</u>	<u>(16.8)%</u>

¹ Limbitless Solutions was founded as a UCF direct support organization as of January 1, 2017.

Attachment F
UCF Research Foundation
Statement of Operations
For the quarter ended September 30, 2017

	2017-18				2016-17			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
Operating revenue ¹	\$ 2,813,641	\$ 2,340,000	\$ 473,641	20.2 %	\$ 2,227,568	\$ 1,882,500	\$ 345,068	18.3 %
Management fees and other	166,001	136,250	29,751	21.8 %	110,922	95,000	15,922	16.8 %
Total revenues	<u>2,979,642</u>	<u>2,476,250</u>	<u>503,392</u>	<u>20.3 %</u>	<u>2,338,490</u>	<u>1,977,500</u>	<u>360,990</u>	<u>18.3 %</u>
Expenses								
Total operating expenses	<u>2,844,432</u>	<u>2,395,750</u>	<u>(448,682)</u>	<u>(18.7)%</u>	<u>2,297,698</u>	<u>1,982,050</u>	<u>(315,648)</u>	<u>(15.9)%</u>
Net increase from operations	<u>\$ 135,210</u>	<u>\$ 80,500</u>	<u>\$ 54,710</u>	<u>68.0 %</u>	<u>\$ 40,792</u>	<u>\$ (4,550)</u>	<u>\$ 45,342</u>	<u>996.5 %</u>

¹ Operating includes royalties, contributions, rents, conferences, unit residuals, and consortiums.

ITEM: INFO-2

**University of Central Florida
Board of Trustees
Finance and Facilities Committee**

SUBJECT: University Draft Audited Financial Report 2016-17

DATE: December 13, 2017

For information only.

Supporting documentation: Attachment A: Executive Summary
Attachment B: University Draft Audited Financial Report

Prepared by: Tracy Clark, Associate Provost for Budget, Planning, and
Administration and Associate Vice President for Finance

Submitted by: William F. Merck II, Vice President for Administration and Finance and
Chief Financial Officer

Attachment A

**University of Central Florida
Executive Summary
Draft Audited Financial Report
2016-17**

The university's net position increased by \$55.4 million due to state capital appropriations of \$45.5 million (\$20 million for UCF Downtown) and donations of \$15.1 million, related primarily to the city of Orlando's land and building donation for UCF Downtown.

Net loss before capital and other revenues was \$5.3 million. This loss included non-cash expenses of \$16.4 million for Florida Retirement System net pension liabilities, and \$19.4 million of non-cash expenses for other postemployment benefits (OPEB) liabilities administered by the State Group Health Insurance Program.

University operating revenues increased \$30.2 million. Net student tuition and fees increased \$15.9 million, primarily due to growth in enrollment and an increase in out-of-state students. Sales and services of auxiliary enterprises increased by \$9 million due to increased revenues from the College of Medicine residency program.

Operating expenses increased \$67.2 million. Compensation increased \$39.1 million due to investments in the university faculty hiring plan and annual salary increases. Associated retirement and healthcare expenses increased by \$27.9 million, which includes an \$18.7 million increase in expenses associated with net pension liabilities.

Total non-operating revenues and expenses increased \$41.1 million, primarily due to an increase in state noncapital appropriations. The university received \$21.2 million in additional performance-based and emerging preeminence funding, as well as \$18 million in additional funding for specific legislative priorities.

Current assets increased \$37.1 million, primarily due to increases in receivables related to state funding for capital projects including UCF Downtown and Partnership IV. These receivables will be collected as expenses are incurred on the projects. Capital assets increased \$63.4 million, primarily related to additions placed in service and land and building donations received from the city of Orlando for UCF Downtown, as well as construction in progress for ongoing projects including the Interdisciplinary Research Building and the John C. Hitt Library renovation.

Noncurrent liabilities increased \$89.4 million. Pension liabilities increased \$82.2 million for the university's proportionate share of total Florida Retirement System net pension liabilities. A majority of the increase, \$53.1 million, is related to state pension plan investment performance that was significantly less than projections. Although the full proportionate liability is reported in the statement of net position, certain changes in pension liabilities are not immediately recognized in the statement of revenues, expenses, and changes in net position. Instead, they are deferred and included as components of deferred outflows of resources and deferred inflows of resources on the statement of net position. These deferred outflows and inflows will be recognized as either additions or reductions, respectively, to future years' pension expenses.

**University of Central Florida
Executive Summary
Draft Audited Financial Report
2016-17**

Deferred outflows related to pensions increased \$51.1 million. Deferred inflows decreased \$16.8 million.

Unrestricted net position as of June 30, 2017, was \$170.6 million. Total net position was \$1.3 billion.

Beginning next fiscal year, the university will implement new accounting standards that will affect our reporting of liabilities and expenses for other postemployment benefits. The university records allocated actuarially-determined liabilities for implicit subsidies associated with allowing retirees to participate in state health plans at premium rates, which are determined on a blended basis including active employees who are assumed to have lower health care costs than retirees. Currently, the university is recognizing these liabilities over a period of 30 years. The new standards will require recognition of the university's full proportionate share of State OPEB liabilities in a manner similar to net pension liabilities. As of June 30, 2017, OPEB liabilities included in the university's statement of net position were \$98.7 million. The adoption of this new standard is expected to result in a significant increase in OPEB liabilities. The amount will be determined based on a new valuation performed by the state.

MANAGEMENT'S DISCUSSION AND ANALYSIS

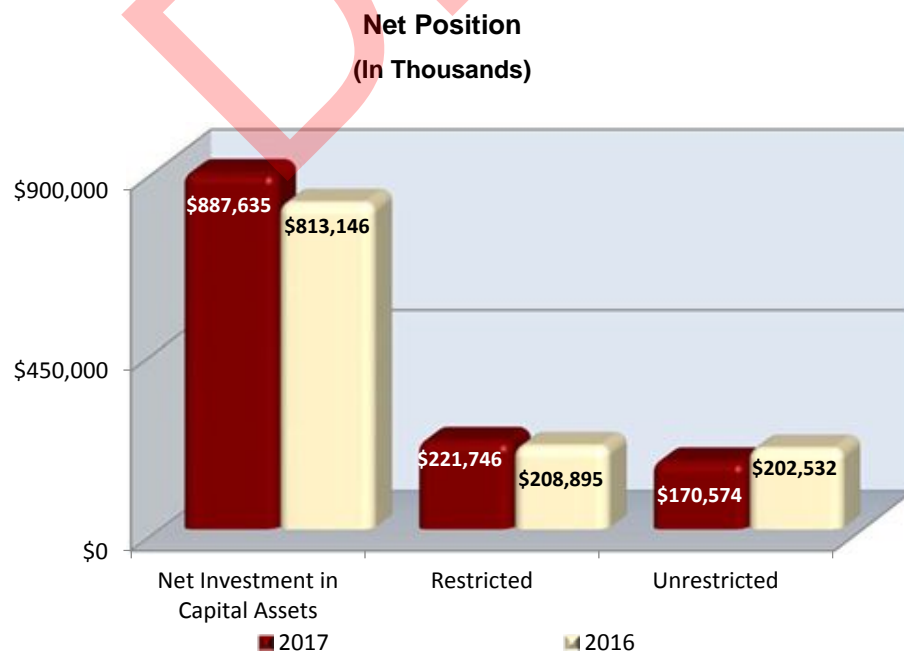
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2017, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2017, and June 30, 2016.

FINANCIAL HIGHLIGHTS

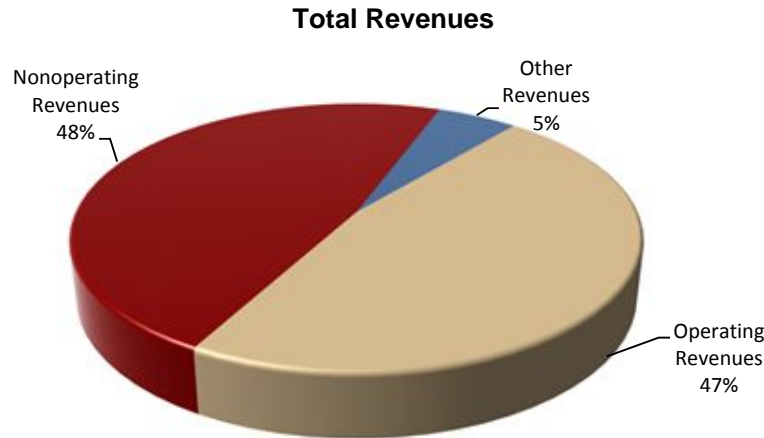
The University's assets and deferred outflows of resources totaled \$1.9 billion at June 30, 2017. This balance reflects a \$140.4 million, or 7.9 percent increase as compared to June 30, 2016, primarily from higher construction activity and pension related deferred outflows. Liabilities and deferred inflows of resources increased by \$85.0 million, or 15.1 percent, at June 30, 2017, resulting primarily from increased net pension liabilities. As a result, the University's net position increased by \$55.4 million, in a year-end balance of \$1.3 billion.

The University's operating revenues totaled \$523.0 million for the 2016-17 fiscal year, representing a 6.1 percent increase compared to the 2015-16 fiscal year, due mainly to increases in student tuition and fees and auxiliary revenues. Operating expenses totaled \$1.0 billion for the 2016-17 fiscal year, representing an increase of 8.2 percent, due mainly to increases in compensation and employee benefits.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2017, and June 30, 2016, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2016-17 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

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

- Blended Component Units
 - UCF Finance Corporation
 - University of Central Florida College of Medicine Self-Insurance Program
- Discretely Presented Component Units
 - University of Central Florida Foundation, Inc.
 - University of Central Florida Research Foundation, Inc.
 - UCF Athletics Association, Inc.
 - UCF Convocation Corporation
 - UCF Stadium Corporation
 - Central Florida Clinical Practice Organization, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30
(In Thousands)

	2017	2016
Assets		
Current Assets	\$ 602,302	\$ 565,179
Capital Assets, Net	1,058,909	994,928
Other Noncurrent Assets	144,896	151,147
Total Assets	1,806,107	1,711,254
Deferred Outflows of Resources	121,206	75,681
Liabilities		
Current Liabilities	111,498	99,076
Noncurrent Liabilities	534,411	445,039
Total Liabilities	645,909	544,115
Deferred Inflows of Resources	1,449	18,247
Net Position		
Net Investment in Capital Assets	887,635	813,146
Restricted	221,746	208,895
Unrestricted	170,574	202,532
Total Net Position	\$ 1,279,955	\$ 1,224,573

Total assets as of June 30, 2017, increased by \$94.9 million or 5.5 percent. This increase is primarily due to higher capital related activity including construction in process, current receivables for state capital appropriations, and capital donations of assets. Major projects underway include the construction of an interdisciplinary research and incubator facility, the development of a downtown campus, and renovations and modernization of the library. Total liabilities as of June 30, 2017, increased by \$101.8 million, or 18.7 percent, and was primarily due to increases in liabilities recorded for the University's proportionate share of pension and other postemployment benefit payable.

Deferred outflows of resources increased by \$45.5 million, or 60.2 percent. Deferred inflows of resources decreased by \$16.8 million, or 92.1 percent. In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, annual net differences between projected and actual earnings on

pension plan investments are deferred and recognized as a component of pension expense on a straight-line basis over a five year period. As of June 30, 2016, cumulative net differences for FRS Pension Plan investments were deferred inflows of \$16.6 million. As of June 30, 2017, these cumulative net differences are now deferred outflows of \$36.5 million.

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

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

The following summarizes the University's activity for the 2016-17 and 2015-16 fiscal years:

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

(In Thousands)

	2016-17	2015-16
Operating Revenues	\$ 523,006	\$ 492,824
Less, Operating Expenses	1,013,825	937,279
Operating Loss	(490,819)	(444,455)
Net Nonoperating Revenues	485,568	444,468
Income (Loss) Before Other Revenues	(5,251)	13
Other Revenues	60,633	157,861
Net Increase In Net Position	55,382	157,874
Net Position, Beginning of Year	1,224,573	1,066,699
Net Position, End of Year	<u>\$ 1,279,955</u>	<u>\$ 1,224,573</u>

Operating Revenues

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

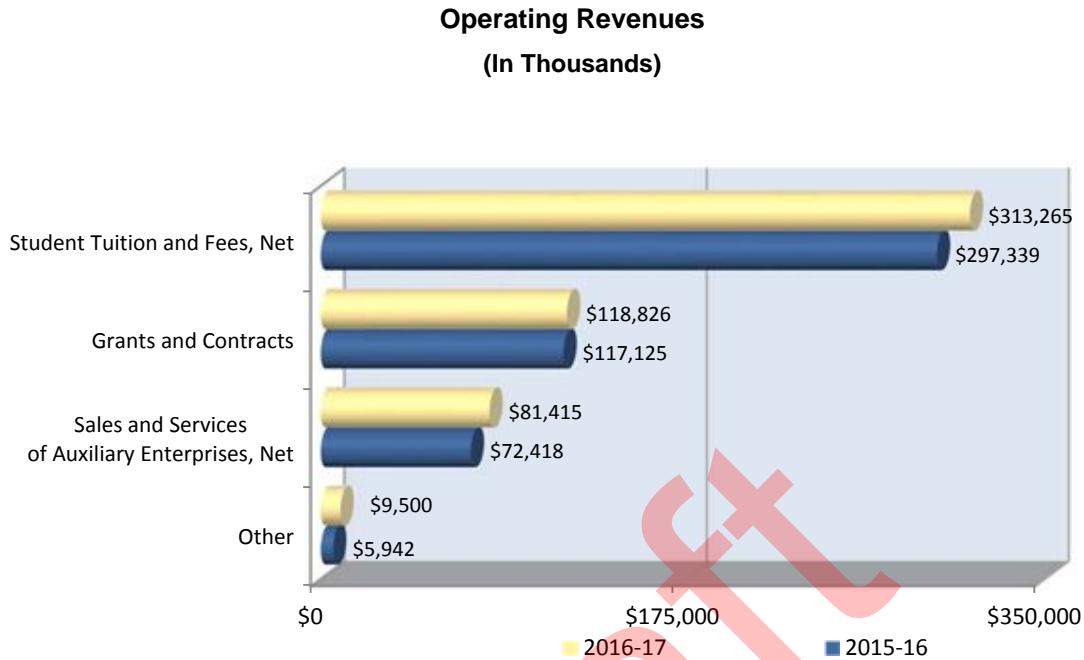
The following summarizes the operating revenues by source that were used to fund operating activities for the 2016-17 and 2015-16 fiscal years:

Operating Revenues For the Fiscal Years

(In Thousands)

	2016-17	2015-16
Student Tuition and Fees, Net	\$ 313,265	\$ 297,339
Grants and Contracts	118,826	117,125
Sales and Services of Auxiliary Enterprises, Net	81,415	72,418
Other	9,500	5,942
Total Operating Revenues	<u>\$ 523,006</u>	<u>\$ 492,824</u>

The following chart presents the University's operating revenues for the 2016-17 and 2015-16 fiscal years:



Total operating revenues increased by \$30.2 million, or 6.1 percent. Net student tuition and fees increased by \$15.9 million, or 5.4 percent, and was primarily due to an increase in student credit hours and non-resident students. Sales and Services of Auxiliary Enterprises increased by \$9 million, or 12.4 percent, and was primarily due to higher revenues from the College of Medicine residency program.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

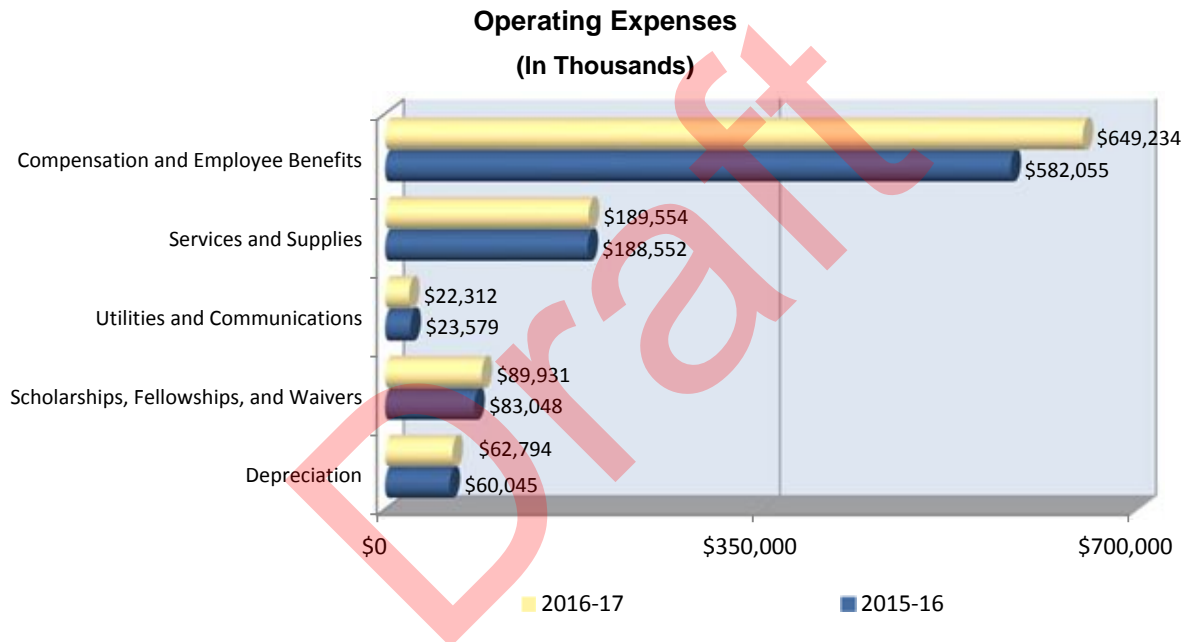
The following summarizes operating expenses by natural classification for the 2016-17 and 2015-16 fiscal years:

Operating Expenses For the Fiscal Years

(In Thousands)

	2016-17	2015-16
Compensation and Employee Benefits	\$ 649,234	\$ 582,055
Services and Supplies	189,554	188,552
Utilities and Communications	22,312	23,579
Scholarships, Fellowships, and Waivers	89,931	83,048
Depreciation	62,794	60,045
Total Operating Expenses	\$ 1,013,825	\$ 937,279

The following chart presents the University's operating expenses for the 2016-17 and 2015-16 fiscal years:



Operating expenses increased \$76.5 million or 8.2 percent over the 2015-16 fiscal year. Compensation increased by \$39.1 million, resulting from investments in the university faculty hiring plan and annual salary increases. Associated retirement and healthcare expenses increased by \$27.9 million including an increase of \$18.7 million in expenses associated with actuarially determined net pension liabilities.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2016-17 and 2015-16 fiscal years:

**Nonoperating Revenues (Expenses)
For the Fiscal Years**

(In Thousands)

	<u>2016-17</u>	<u>2015-16</u>
State Noncapital Appropriations	\$ 360,532	\$ 314,820
Federal and State Student Financial Aid	140,560	139,245
Investment Income	12,998	14,379
Other Nonoperating Revenues	17,694	12,728
Loss on Disposal of Capital Assets	(502)	(590)
Interest on Capital Asset-Related Debt	(8,014)	(8,385)
Other Nonoperating Expenses	(37,700)	(27,729)
Net Nonoperating Revenues	<u><u>\$ 485,568</u></u>	<u><u>\$ 444,468</u></u>

Net nonoperating revenues increased by \$41.1 million, or 9.3 percent, primarily due to an increase in State noncapital appropriations of \$45.7 million. The University received \$21.2 million in additional State performance-based and emerging preeminence funding, as well as, \$18.0 million in additional funding for specific legislative priorities. Other nonoperating expenses increased \$10.0 million due to the distribution of pass-through funding for some of these specific legislative appropriations.

Other Revenues

Other Revenue is composed of State capital appropriations and capital transfers, grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2016-17 and 2015-16 fiscal years:

**Other Revenues
For the Fiscal Years**

(In Thousands)

	<u>2016-17</u>	<u>2015-16</u>
State Capital Appropriations	\$ 45,552	\$ 28,442
Capital Transfers In	-	128,699
Capital Grants, Contracts, Donations, and Fees	15,081	720
Total	<u><u>\$ 60,633</u></u>	<u><u>\$ 157,861</u></u>

Other revenues decreased \$97.2 million, or 61.6 percent, primarily due to the one-time capital transfer of the convocation center and the stadium assets from the UCF Convocation Corporation and the UCF Stadium Corporation to the University in the 2015-16 fiscal year. The increase in State capital appropriations of \$17.1 million was primarily due to appropriations for an academic building for the downtown campus (UCF Downtown). The increase in capital grants, contracts, donations, and fees of \$14.4 million was primarily due to the donation of land and a building from the City of Orlando for UCF Downtown.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2016-17 and 2015-16 fiscal years:

Condensed Statement of Cash Flows		
For the Fiscal Years		
(In Thousands)		
	2016-17	2015-16
Cash Provided (Used) by:		
Operating Activities	\$ (389,998)	\$ (366,605)
Noncapital Financing Activities	483,367	452,563
Capital and Related Financing Activities	(106,644)	(84,167)
Investing Activities	(16,020)	(3,263)
Net Decrease in Cash and Cash Equivalents	(29,295)	(1,472)
Cash and Cash Equivalents, Beginning of Year	48,318	49,790
Cash and Cash Equivalents, End of Year	\$ 19,023	\$ 48,318

Cash and cash equivalents decreased \$29.3 million. Cash used by operating activities increased by \$23.4 million compared to fiscal year 2015-16 due primarily to a \$53.3 million increase in cash payments to and on behalf of employees for compensation and benefits, offset by a \$16.6 million increase in cash received from tuition and fees and a \$12.0 million increase in cash received from contracts and grants. Cash inflows from noncapital financing activities increased by \$30.8 million primarily due to an increase in cash received from State appropriations net of pass-through disbursements. Cash used by capital and related financing activities increased by \$22.5 million primarily due to the purchase or construction of capital assets. Cash used by investing activities increased by \$12.8 million primarily due to an increase in the purchase of investment instruments with longer term maturities from proceeds received from liquidations of money-market investments previously classified as cash equivalents.

Major sources of funds came from State noncapital appropriations (\$360.5 million), net student tuition and fees (\$311.7 million), Federal and State student Financial Aid (\$140.5 million), grants and contracts (\$122.2 million), and net sales and services of auxiliary enterprises (\$82.1 million). Major uses of funds were for payments made to and on behalf of employees (\$609.7 million), payments to suppliers (\$214.8 million), payments related to the purchase or construction of capital assets (\$104.5 million), and payments to students for scholarships and fellowships (\$89.9 million).

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,
AND DEBT ADMINISTRATION**
Capital Assets

At June 30, 2017, the University had \$1.8 billion in capital assets, less accumulated depreciation of \$776 million, for net capital assets of \$1.1 billion. Depreciation charges for the current fiscal year totaled \$62.8 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2017	2016
Land	\$ 36,159	\$ 28,133
Construction in Progress	81,061	37,684
Buildings	838,249	832,494
Infrastructure and Other Improvements	31,994	29,839
Furniture and Equipment	40,482	40,694
Library Resources	24,155	22,701
Leasehold Improvements	6,088	2,567
Works of Art and Historical Treasures	721	816
Capital Assets, Net	\$ 1,058,909	\$ 994,928

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2017, were incurred on the Interdisciplinary Research and Incubator Facility and the John C. Hitt Library renovations, both projects currently in progress. The University's major construction commitments at June 30, 2017, are as follows:

	Amount (In Thousands)
Total Committed	\$ 147,012
Completed to Date	(81,061)
Balance Committed	\$ 65,951

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

Debt Administration

As of June 30, 2017, the University had \$177.0 million in outstanding capital improvement debt payable and bonds payable, representing a decrease of \$9.7 million, or 5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30**(In Thousands)**

	2017	2016
Capital Improvement Debt	\$ 125,664	\$ 133,954
Bonds Payable	51,315	52,730
Total	\$ 176,979	\$ 186,684

Additional information about the University's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. Economic recovery and increased demand for State resources will continue to influence appropriations to higher education. The University manages these influences through the continual efficient and strategic use of resources and entrepreneurial efforts by academic, administrative, and auxiliary departments. The budget adopted by the Florida Legislature for the 2017-18 fiscal year provided a 4 percent increase to state universities, including \$20 million in new recurring performance based funding, plus \$120.6 million specifically aimed at meeting the state's performance goals. The University received a total of \$12.1 million of this new funding.

The Florida Legislature also provided \$52 million in new funding for institutions that meet emerging pre-eminence and pre-eminence metrics aimed to advance the state's national reputation for higher education. The University of Central Florida qualified for emerging pre-eminence status and received \$8.7 million of this funding, which will be invested in initiatives to enhance the University's reputation as a global research institution and advance toward pre-eminence status.

In addition to state funding, the University relies on other revenue streams to maintain the open access to and high quality of its academic programs. The 2016-17 fiscal year net tuition and fee revenue increased 5.4 percent primarily due to an increase in student credit hours and non-resident enrollment. Overall, enrollment increased 2.1 percent with a student count of approximately 64,335. The University continues to invest in recruitment, retention, and academic advising initiatives to manage enrollment and support students' success.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Christina Tant, CPA, Assistant Vice President and University Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

BASIC FINANCIAL STATEMENTS

University of Central Florida A Component Unit of the State of Florida Statement of Net Position

June 30, 2017

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 8,053,996	\$ 20,109,451
Restricted Cash and Cash Equivalents	4,137,826	21,343,392
Investments	434,336,586	-
Accounts Receivable, Net	58,727,347	18,420,677
Loans and Notes Receivable, Net	1,334,658	-
Due from State	88,223,201	-
Due from Component Units	1,401,983	623,187
Due from University	-	20,750,547
Inventories	2,321,126	24,739
Other Current Assets	3,764,993	1,540,530
Total Current Assets	602,301,716	82,812,523
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,830,713	2,525,222
Restricted Investments	123,230,100	194,462,917
Loans and Notes Receivable, Net	5,706,213	13,296,386
Depreciable Capital Assets, Net	941,471,557	117,643,225
Nondepreciable Capital Assets	117,437,297	56,352,563
Due from Component Units	6,208,392	-
Other Noncurrent Assets	2,921,064	2,683,216
Total Noncurrent Assets	1,203,805,336	386,963,529
Total Assets	1,806,107,052	469,776,052
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	108,655,536	-
Accumulated Decrease in Fair Value of Hedging Derivatives	12,550,585	-
Deferred Loss on Debt Refunding	-	666,328
Total Deferred Outflows of Resources	121,206,121	666,328
LIABILITIES		
Current Liabilities:		
Accounts Payable	13,468,034	9,039,657
Construction Contracts Payable	14,469,712	-
Salary and Wages Payable	23,186,940	-
Deposits Payable	10,828,478	-
Due to Component Units	20,750,547	623,187
Due to University	-	1,401,983
Unearned Revenue	12,265,843	14,310,614
Other Current Liabilities	893,048	1,755,559
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	8,520,000	-
Bonds Payable	1,490,000	4,755,000
Loans and Notes Payable	-	4,092,790
Certificates of Participation Payable	-	4,205,000
Compensated Absences Payable	3,830,782	94,422
Net Pension Liability	1,794,594	-
Total Current Liabilities	111,497,978	40,278,212

University of Central Florida
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2017

	<u>University</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	117,144,116	-
Bonds Payable	49,825,000	123,875,844
Loans and Notes Payable	-	25,524,558
Certificates of Participation Payable	-	104,395,000
Compensated Absences Payable	50,894,673	523,536
Other Postemployment Benefits Payable	98,724,000	-
Net Pension Liability	197,808,859	-
Unearned Revenues	-	27,140
Due to University	-	6,208,392
Interest Rate Swap	12,550,585	-
Other Noncurrent Liabilities	7,464,053	39,000
Total Noncurrent Liabilities	534,411,286	260,593,470
Total Liabilities	645,909,264	300,871,682
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	1,448,860	-
Deferred Gain on Debt Refunding	-	184,564
Total Deferred Inflows of Resources	1,448,860	184,564
NET POSITION		
Net Investment in Capital Assets	887,634,922	(89,903,771)
Restricted for Nonexpendable:		
Endowment	-	130,431,162
Restricted for Expendable:		
Debt Service	1,430,853	-
Loans	3,754,616	-
Capital Projects	199,658,798	2,688,617
Other	16,901,311	99,998,312
Unrestricted	170,574,549	26,171,814
TOTAL NET POSITION	\$ 1,279,955,049	\$ 169,386,134

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

University of Central Florida
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$138,839,435 (Pledged for Capital Improvement Debt: \$17,115,631 for Student Health and \$14,368,295 for Parking)	\$ 313,265,162	\$ -
Federal Grants and Contracts	90,185,816	-
State and Local Grants and Contracts	7,876,058	-
Nongovernmental Grants and Contracts	20,763,543	-
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: \$30,229,053 for Housing and \$6,138,257 for Parking)	81,415,364	-
Gifts and Donations	-	29,983,376
Interest on Loans and Notes Receivable	84,703	-
Other Operating Revenues:		
Pledged for Capital Improvement Debt: \$419,788 for Housing and \$1,100,126 for Parking)	9,415,135	128,416,216
Total Operating Revenues	523,005,781	158,399,592
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	649,234,021	17,677,768
Services and Supplies	189,553,773	106,993,070
Utilities and Communications	22,312,241	-
Scholarships, Fellowships, and Waivers	89,930,504	-
Depreciation	62,794,334	6,019,250
Total Operating Expenses	1,013,824,873	130,690,088
Operating Income (Loss)	(490,819,092)	27,709,504
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	360,532,088	-
Federal and State Student Financial Aid	140,559,664	-
Investment Income	12,998,144	175,020
Other Nonoperating Revenues	17,694,180	13,594,841
Loss on Disposal of Capital Assets	(502,394)	(42,414)
Interest on Capital Asset-Related Debt	(8,013,730)	(9,117,878)
Other Nonoperating Expenses	(37,699,563)	(4,755,128)
Net Nonoperating Revenues (Expenses)	485,568,389	(145,559)
Income (Loss) Before Other Revenues	(5,250,703)	27,563,945
State Capital Appropriations	45,551,883	-
Capital Grants, Contracts, Donations, and Fees	15,081,297	-
Additions to Permanent Endowments	-	4,270,764
Increase in Net Position	55,382,477	31,834,709
Net Position, Beginning of Year	1,224,572,572	137,551,425
Net Position, End of Year	\$ 1,279,955,049	\$ 169,386,134

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

University of Central Florida
A Component Unit of the State of Florida
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	<u>University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 311,700,087
Grants and Contracts	122,196,848
Sales and Services of Auxiliary Enterprises, Net	82,074,892
Interest on Loans and Notes Receivable	84,103
Payments to Employees	(609,663,886)
Payments to Suppliers for Goods and Services	(214,816,579)
Payments to Students for Scholarships and Fellowships	(89,930,504)
Loans Issued to Students	(1,230,822)
Collection on Loans to Students	959,805
Other Operating Receipts	8,628,020
Net Cash Used by Operating Activities	<u>(389,998,036)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	360,532,088
Federal and State Student Financial Aid	140,456,635
Federal Direct Loan Program Receipts	252,415,853
Federal Direct Loan Program Disbursements	(252,415,853)
Net Change in Funds Held for Others	6,340,842
Other Nonoperating Disbursements	(23,962,573)
Net Cash Provided by Noncapital Financing Activities	<u>483,366,992</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	12,197,848
Capital Grants, Contracts, Donations and Fees	(2,937)
Other Receipts for Capital Projects	3,583,888
Purchase or Construction of Capital Assets	(104,483,884)
Principal Paid on Capital Debt and Leases	(9,798,608)
Interest Paid on Capital Debt and Leases	(8,140,215)
Net Cash Used by Capital and Related Financing Activities	<u>(106,643,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	886,493,295
Purchases of Investments	(913,083,199)
Investment Income	10,569,284
Net Cash Used by Investing Activities	<u>(16,020,620)</u>
Net Decrease in Cash and Cash Equivalents	<u>(29,295,572)</u>
Cash and Cash Equivalents, Beginning of Year	48,318,107
Cash and Cash Equivalents, End of Year	<u><u>\$ 19,022,535</u></u>

University of Central Florida
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2017

	<u>University</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (490,819,092)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	62,794,334
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Receivables, Net	2,409,411
Inventories	264,431
Other Assets	203,364
Accounts Payable	(3,463,525)
Salaries and Wages Payable	3,184,912
Deposits Payable	(69,308)
Compensated Absences Payable	2,676,836
Unearned Revenue	(887,788)
Other Postemployment Benefits Payable	19,389,000
Net Pension Liability	82,194,519
Deferred Outflows of Resources Related to Pensions	(51,077,397)
Deferred Inflows of Resources Related to Pensions	(16,797,733)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (389,998,036)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND	
CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 2,215,957
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (502,394)
A donation of capital assets was recognized on the statement of revenues, expenses, and changes in net position, but is not a cash transaction for the statement of cash flows.	\$ 15,000,000

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

Blended Component Units. Based on the application of the criteria for determining component units, the UCF Finance Corporation (Corporation) and the University of Central Florida College of Medicine Self-Insurance Program (Program) are included within the University's reporting entity as blended component units, and are therefore reported as if they are part of the University. The Corporation's purpose is to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. The Program's purpose is to provide comprehensive general liability and professional liability coverage for the University's Trustees and students for claims and actions arising from clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health and Public Affairs, and the Central Florida Clinical Practice Organization, Inc., faculty, staff, and resident physicians. Condensed financial statements for the University's blended component units are shown in a subsequent note. The condensed financial statements are reported net of eliminations.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) and the Central Florida Clinical Practice Organization, Inc. (an affiliated organization), are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate

boards. 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 Central Florida Foundation, Inc. is a not-for-profit Florida Corporation whose principal function is to provide charitable and educational aid to the University.
- University of Central Florida Research Foundation, Inc. was organized to promote and encourage, as well as assist in, the research activities of the University's faculty, staff, and students.
- UCF Athletics Association, Inc. was organized to promote intercollegiate athletics to benefit the University and surrounding communities.
- UCF Convocation Corporation was created to finance and construct a convocation center, and to manage the Towers student housing and its related retail space on the north side of campus.
- UCF Stadium Corporation was created to finance, build, and administer an on-campus football stadium.
- Central Florida Clinical Practice Organization, Inc. is an affiliated organization component unit of the University and was formed for the purpose of supporting the medical education program and clinical faculty within the College of Medicine.
- Limbitless Solutions, Inc. is a not-for-profit Florida Corporation whose purpose is to develop affordable open source 3D printed bionic solutions for individuals with disabilities, increase accessibility with art infused bionics, and to promote access and engagement in STEM/STEAM education. Financial activities of this component unit are not included in the University's financial statements as the total assets related to this component unit represent less than one percent of the total aggregate component units' assets.

An annual audit of each organization's financial statements, included in the University's financial statements, is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the Assistant Vice President and University Controller. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Basis of Presentation. The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an

entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

The University's discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid

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

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts, money market funds, and investments with original maturities of three months or less. 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. The University also holds \$7,514,612 in money market funds and short-term investments. The money market funds and investments are permissible under the current investment policy; the primary portion of these investments are held in Rule 2a-7 mutual funds and securities rated AAA (or its equivalent) by a nationally recognized statistical rating organization. The Corporation, a blended component unit, holds \$4,011,650 in money market funds. The money market funds are uninsured, but collateralized by securities held by the financial institutions, not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Cash and Cash Equivalents – Discretely Presented Component Units. Cash and cash equivalents for the University's discretely presented component units are reported as follows:

Component Unit	Cash in Bank	Money Market Funds	Total
University of Central Florida Foundation, Inc.	\$ 11,829,786	\$ 11,037,190	\$ 22,866,976
University of Central Florida Research Foundation, Inc.	377,357	-	377,357
UCF Athletics Association, Inc.	2,195,284	-	2,195,284
UCF Convocation Corporation	516,369	11,985,162	12,501,531
UCF Stadium Corporation	-	846,262	846,262
Central Florida Clinical Practice Organization, Inc.	5,190,655	-	5,190,655
Total Component Units	\$ 20,109,451	\$ 23,868,614	\$ 43,978,065

The University holds certain cash balances for various discretely presented component units. Cash amounts held for University of Central Florida Research Foundation, Inc., UCF Convocation Corporation, and UCF Stadium Corporation were \$11,366,645, \$7,102,214, and \$1,914,334, respectively.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the component unit will not be able to recover deposits.

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest-bearing demand deposits, money market, and cash deposits swept on an overnight basis from operating bank accounts into interest-bearing money market accounts with maturity dates of less than 90 days. At June 30, 2017, approximately \$10,466,266 in cash deposits were not insured by Federal deposit insurance and were not collateralized.
- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are insured up to the FDIC limits. As of June 30, 2017, \$1,671,824 million of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.
- **UCF Convocation Corporation** – At June 30, 2017, the Convocation Corporation held \$11,985,162 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.
- **UCF Stadium Corporation** – At June 30, 2017, the Stadium Corporation held \$846,262 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.
- **Central Florida Clinical Practice Organization, Inc.** – At June 30, 2017, The Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling \$5,088,995, were in excess of the Federal deposit insurance limit as of June 30, 2017.

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, leasehold improvements, works of art and historical treasures, and computer software and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$4 million for intangible assets, which includes computer software, \$5,000 for tangible personal property, and \$250 for library resources. New buildings and improvements have a \$100,000 capitalization threshold. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 5 to 10 years
- Library Resources – 10 years
- Leasehold Improvements – the lessor of the remaining lease term, or the estimated useful life of the improvement
- Works of Art and Historical Treasures – 5 to 15 years
- Computer Software – 5 to 10 years

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, bonds payable, compensated absences payable, other postemployment benefits payable, net pension liabilities, interest rate swap, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

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

2. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy and manual providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

All of the University's recurring fair value measurements as of June 30, 2017 are valued using quoted market prices (Level 1 inputs), with the exception of corporate, municipal and other bonds, certain federal agency obligations and certificates of deposits which are valued using matrix pricing models which may consider quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices that are observable (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2017, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 294,917,170	\$ -	\$ -	\$ 294,917,170
SBA Debt Service Accounts	1,413,993	1,413,993	-	-
Certificates of Deposit	711,921	-	711,921	-
United States Government and Federally-Guaranteed Obligations	36,914,032	36,914,032	-	-
Federal Agency Obligations	31,144,109	905,591	30,238,518	-
Bonds and Notes	97,335,931	-	97,335,931	-
Mutual Funds				
Equities	83,158,641	83,158,641	-	-
Bonds	11,970,889	11,970,889	-	-
Total investments by fair value level	\$ 557,566,686	\$ 134,363,146	\$ 128,286,370	\$ 294,917,170

Investments held by the University's component units at June 30, 2017, are reported as follows:

Investments by fair value level	University of Central Florida Foundation Inc.	University of Central Florida Research Foundation Inc.	Total	Fair Value Measurements Using		
				Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity- Domestic	\$ 10,180,855	\$ 590,118	\$ 10,770,973	\$ 10,658,341	\$ 112,632	\$ -
Equity- International	29,906,377	-	29,906,377	29,906,377	-	-
Domestic Fixed Income	41,133,978	-	41,133,978	41,133,978	-	-
Global All Assets	15,194,385	-	15,194,385	15,194,385	-	-
Real Assets	4,062,795	-	4,062,795	462,795	-	3,600,000
Total investments by fair value level	\$ 100,478,390	\$ 590,118	\$ 101,068,508	\$ 97,355,876	\$ 112,632	\$ 3,600,000
Investments measured at the net asset value (NAV)				Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity- Domestic	6,473,885	-	6,473,885	-		
Equity- International	35,242,431	-	35,242,431	-		
Global All Assets	7,930,743	-	7,930,743	-		
International Fixed Income	14,535,924	-	14,535,924	-	Monthly	30 Days
Private Equity Funds	3,206,582	-	3,206,582	7,594,103		
Private Debt Funds	1,179,010	-	1,179,010	-		
Hedge Funds:						
Credit	5,195,880	-	5,195,880	-	Quarterly	65-90 Days
Event driven	6,719,329	-	6,719,329	-	Monthly/Quarterly	60-90 Days
Global macro	5,003,194	-	5,003,194	-	Monthly	3-62 Days
Long short	2,016,616	-	2,016,616	-	Quarterly	35-45 Days
Long short credit	2,107,005	-	2,107,005	-	Monthly	30 Days
Equity linked	3,783,810	-	3,783,810	-	Monthly/Quarterly	30-90 Days
Total investments measured at NAV	93,394,409	-	93,394,409			
Total investments	\$ 193,872,799	\$ 590,118	\$ 194,462,917			

All of the University's component units' recurring fair value measurements as of June 30, 2017 are valued using quoted market prices (Level 1 inputs), with the exception of equity investments valued quarterly by respective fund managers (Level 2 inputs) and real assets valued based on an appraisal utilizing recent sale and property comparisons of like assets (Level 3 inputs).

Net Asset Value

GASB Standards Statement No. 72, *Fair Value Measurement and Application*, permits the fair value of certain equity and debt investments that do not have readily determinable fair values to be based on their net asset value (NAV) per share. The investments held at net asset value reflect:

Domestic Equity and International Equity: These funds are operated by money managers and can be actively managed or passively managed to an index. These funds are privately placed, and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair values of both funds are provided by the money managers which use a quoted price in active markets for the underlying assets.

Global All Assets: The fund invests in a global strategy including domestic, international, and global companies and is privately placed, and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of this fund is provided by the money manager which uses a quoted price in active markets for the underlying assets.

International Fixed Income: Two of the funds invest in fixed income bonds ranging in credit ratings focused on domestic and international investments. One fund utilizes a focus on credit driven strategies for the underlying investments and can contain both domestic and international investments in the portfolio. These funds are privately placed, and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair values of the three funds are provided by the money managers which use a quoted price in active markets for the underlying assets.

Private Equity and Private Debt Funds: Private equity and private debt includes distinct limited partnerships or limited liability companies. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets or notes of the fund. Private equity and private debt are not traded on a public, primary exchange. Private equity can include equity rights to private companies, capital lent to companies, or other privately held securities. Private equity commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. Private debt funds aim to take advantage of structural imbalances between demand and supply of credit for consumers, small and medium enterprises, and trade finance consisting of private notes and bonds with equity components. In this portfolio, private equity capital and private debt are invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

Credit and Long Short Credit Hedge Funds: The credit linked class of hedge funds seeks to profit from the mispricing of related debt securities. Returns are not generally dependent on the general direction of market movements. This strategy utilizes quantitative and qualitative analysis to identify securities or spreads between securities that deviate from their fair value and/or historical norms. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Event Driven Hedge Funds: The event driven hedge funds class includes investments in hedge funds that invest across the capital structure in equity and debt securities. Managers invest in situations with

the expectation that a near term event will act as a catalyst changing the market's perception of a company, thereby increasing or decreasing the value of its equity or debt. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Global Macro Hedge Funds: The global macro hedge fund class includes hedge funds that trade highly liquid instruments, long and short, including currencies, commodities, fixed income instruments and equity indices. Two types of strategies are employed in this portfolio: discretionary strategies that employ broad analysis of economic, financial and political data to identify themes, and systematic strategies that use algorithmic models to analyze historical data, both technical and fundamental. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Long/Short Hedge Funds: The equity long\short hedge fund class includes investments in hedge funds that invest both long and short stocks and equity indices. Management of the hedge funds has the ability to shift investments across a variety of stocks, equity indices, and to a lesser extent other securities from a net long position to a net short position. In this portfolio, the managers are focused primarily on the United States, Europe and Asia. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

Equity Linked Hedge Funds: The equity linked class of hedge funds includes investments in debt instruments and options on equities. The equities options provide investors with principle protection while providing exposure to equities. Returns are dependent on performance of the equities options. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

External Investment Pools

The University reported investments at fair value totaling \$294,917,170 at June 30, 2017, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.80 years and fair value factor of 0.9923 at June 30, 2017. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts

The University reported investments totaling \$1,413,993 at June 30, 2017, 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 6 months or less, and are reported at fair value. 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 financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

The University and its discretely presented component units invested in various debt and equity securities, mutual funds, and certificates of deposit. 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. Investments of the University and its component units in debt securities, bond mutual funds, and debt related hedge funds, and their future maturities at June 30, 2017, are as follows:

University Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years)		
		Less Than 1	1 - 5	More Than 5
U.S. Government and Federally-Guaranteed Obligations	\$ 36,914,032	\$ 12,909,862	\$ 21,535,912	\$ 2,468,258
Federal Agency Obligations	31,144,109	1,050,298	10,672,601	19,421,210
Bonds and Notes	97,335,931	13,769,693	65,119,328	18,446,910
Mutual Funds - Bonds	11,970,889	755,924	6,012,031	5,202,934
Total University	\$ 177,364,961	\$ 28,485,777	\$ 103,339,872	\$ 45,539,312

Component Units' Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years)			Duration Not Available
		Less Than 1	1 - 5	More Than 5	
Domestic Fixed Income	\$ 41,133,978	\$ 1,617,541	\$ 34,112,401	\$ 5,404,036	\$ -
International Fixed Income	14,535,924	-	14,535,924	-	-
Global All Assets	23,125,128	-	7,884,209	7,930,743	7,310,176
Private Debt	1,179,010	-	1,075,588	-	103,422
Hedge Funds	7,302,885	-	-	2,107,005	5,195,880
Total Component Units	\$ 87,276,925	\$ 1,617,541	\$ 57,608,122	\$ 15,441,784	\$ 12,609,478

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The University's component units' investment policies provide information on asset classes, target allocations, and ranges of

acceptable investment categories. The following schedule represents the ratings at June 30, 2017, of the University's and its component units' debt instruments using Moody's and Standard and Poor's, nationally recognized rating agencies:

University Debt Investments Quality Ratings

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Less Than A or Not Rated</u>
Federal Agency Obligations	\$ 31,144,109	\$ 31,144,109	\$ -	\$ -	\$ -
Bonds and Notes	97,335,931	36,465,045	15,116,433	43,751,142	2,003,311
Mutual Funds - Bonds	11,970,889	-	1,638,312	372,745	9,959,832
Total University	\$ 140,450,929	\$ 67,609,154	\$ 16,754,745	\$ 44,123,887	\$ 11,963,143

Component Units' Debt Investments Quality Ratings

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Less Than A or Not Rated</u>
Domestic Fixed Income	\$ 41,133,978	\$ 5,215,487	\$ 203,849	\$ 4,407,534	\$ 31,307,108
International Fixed Income	14,535,924	-	-	4,636,175	9,899,749
Global All Assets	23,125,128	-	-	7,884,209	15,240,919
Private Debt	1,179,010	-	-	-	1,179,010
Hedge Funds	7,302,885	-	-	-	7,302,885
Total Component Units	\$ 87,276,925	\$ 5,215,487	\$ 203,849	\$ 16,927,918	\$ 64,929,671

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's or its component units' investments in a single issuer. The University's and its component units' investment policies require diversification sufficient to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. The University's investment policy states that not more than five percent of the investment portfolio's assets shall be invested in securities on any one issuing company, and no single corporate bond issuer shall exceed five percent of the portfolio. Guidelines for individual sectors of the portfolio further indicate percentage limitations.

3. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2017, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 28,781,298
Contracts and Grants	23,768,190
Other	6,177,859
Total Accounts Receivable	\$ 58,727,347

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.

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$1,606,767 and \$805,156, respectively, at June 30, 2017.

4. Due From State

The amount due from State primarily consists of \$88,223,201 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction or purchase of University facilities.

5. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2017, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 28,132,603	\$ 8,026,187	\$ -	\$ 36,158,790
Works of Art and Historical Treasures	218,000	-	-	218,000
Construction in Progress	37,684,459	82,246,783	38,870,735	81,060,507
Total Nondepreciable Capital Assets	\$ 66,035,062	\$ 90,272,970	\$ 38,870,735	\$ 117,437,297
Depreciable Capital Assets:				
Buildings	\$ 1,236,127,554	\$ 44,608,820	\$ -	\$ 1,280,736,374
Infrastructure and Other Improvements	56,751,897	4,646,518	-	61,398,415
Furniture and Equipment	212,080,731	15,847,489	8,785,783	219,142,437
Library Resources	126,829,543	6,214,983	-	133,044,526
Leasehold Improvements	19,068,001	4,661,821	10,094,248	13,635,574
Works of Art and Historical Treasures	1,677,354	-	-	1,677,354
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Depreciable Capital Assets	1,660,385,515	75,979,631	18,880,031	1,717,485,115
Less, Accumulated Depreciation:				
Buildings	403,633,387	38,854,270	-	442,487,657
Infrastructure and Other Improvements	26,912,669	2,491,886	-	29,404,555
Furniture and Equipment	171,386,680	15,452,398	8,178,725	178,660,353
Library Resources	104,128,693	4,760,240	-	108,888,933
Leasehold Improvements	16,500,898	1,141,224	10,094,248	7,547,874
Works of Art and Historical Treasures	1,079,435	94,316	-	1,173,751
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Accumulated Depreciation	731,492,197	62,794,334	18,272,973	776,013,558
Total Depreciable Capital Assets, Net	\$ 928,893,318	\$ 13,185,297	\$ 607,058	\$ 941,471,557

6. Unearned Revenue

Unearned revenue at June 30, 2017, includes grant and contract prepayments, auxiliary prepayments, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2017, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Grant and Contracts	\$ 3,679,307
Auxiliary Prepayments	7,660,250
Student Tuition and Fees	926,286
Total Unearned Revenue	\$ 12,265,843

7. Deferred Outflow / Inflow of Resources

One of the University's blended component units (UCF Finance Corporation) entered into an interest rate swap agreement in connection with its \$60 million bond issuance to manage the risk of rising interest rates on its variable rate-based debt. Deferred outflow of resources includes the effect of deferring accumulated decreases in fair value of a hedging derivative related to this interest rate swap agreement. Accumulated decrease in the fair value of hedging derivatives for the year ended June 30, 2017, was \$12,550,585. The Bonds Payable section of Note 8 below includes a complete discussion of the swap agreement.

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$108,655,536 and deferred inflows of resources related to pensions were \$1,448,860 for the year ended June 30, 2017. Note 9 includes a complete discussion of defined benefit pension plans.

8. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2017, include capital improvement debt payable, bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability, interest rate swap, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2017, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$133,953,938	\$ -	\$ 8,289,822	\$125,664,116	\$ 8,520,000
Bonds Payable	52,730,000	-	1,415,000	51,315,000	1,490,000
Compensated Absences Payable	52,047,746	6,013,231	3,335,522	54,725,455	3,830,782
Other Postemployment Benefits Payable	79,335,000	22,362,000	2,973,000	98,724,000	-
Net Pension Liability	117,408,934	141,221,518	59,026,999	199,603,453	1,794,594
Interest Rate Swap	18,102,762	-	5,552,177	12,550,585	-
Other Noncurrent Liabilities	6,502,495	1,248,680	287,122	7,464,053	-
Total Long-Term Liabilities	\$460,080,875	\$170,845,429	\$ 80,879,642	\$550,046,662	\$ 15,635,376

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2017:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2002 - Housing	\$ 14,055,000	\$ 4,552,076	4.2 to 4.5	2021
2007A - Housing	38,780,000	26,861,027	4.625 to 5.500	2030
2012A - Housing	66,640,000	62,469,583	3.0 to 5.0	2042
Total Student Housing Debt	119,475,000	93,882,686		
Student Health Center Debt:				
2004A	8,000,000	3,569,271	4.5 to 5.0	2024
Parking Garage Debt:				
2004A - Parking Garage V	18,455,000	5,915,393	3.75 to 4.20	2024
2010B - Parking Garage VI	11,140,000	10,440,000	4.5 to 6.2	2029
2011A - Parking Garage	11,005,000	4,978,997	3.0 to 5.0	2022
2012A - Parking Garage	7,860,000	6,877,769	3.0 to 5.0	2032
Total Parking Garage Debt	48,460,000	28,212,159		
Total Capital Improvement Debt	\$ 175,935,000	\$ 125,664,116		

Note: (1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future housing rental revenues, parking revenues, and health service facility fees based on credit hours to repay \$175,935,000 in capital improvement revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student housing, student health facilities, and student parking garages. The bonds are payable solely from housing rental revenues, parking and transportation fees, and student health fees and are payable through 2042. The University has committed to appropriate each year amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$171,227,993, and principal and interest paid for the current year totaled \$13,973,121. During the 2016-17 fiscal year, operating revenues generated from housing rentals, parking revenues, and student health fees totaled \$30,648,841, \$21,606,678, and \$17,115,631, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2017, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,520,000	\$ 5,430,116	\$ 13,950,116
2019	8,355,000	5,013,526	13,368,526
2020	8,745,000	4,603,128	13,348,128
2021	8,590,000	4,169,909	12,759,909
2022	7,695,000	3,776,985	11,471,985
2023-2027	35,980,000	13,565,482	49,545,482
2028-2032	24,205,000	6,573,860	30,778,860
2033-2037	9,475,000	3,528,194	13,003,194
2038-2042	11,715,000	1,286,793	13,001,793
Subtotal	123,280,000	47,947,993	171,227,993
Net Discounts and Premiums	2,384,116	-	2,384,116
Total	<u>\$ 125,664,116</u>	<u>\$ 47,947,993</u>	<u>\$ 173,612,109</u>

Bonds Payable. One of the University's blended component units, the UCF Finance Corporation (Corporation), issued \$60 million in bonds to finance the construction of the Burnett Biomedical Sciences Building, part of the University's medical school. The bonds are secured by indirect cost revenues received by the University from Federal, State, and private grants and further secured by a letter of credit issued by a local bank not to exceed \$60 million. The bonds are variable interest rate bonds with a synthetic interest rate of 4.53 percent at June 30, 2017. They mature on July 1, 2037.

The University agreed to use a ground sublease to lease to its blended component unit, the Corporation, a parcel of property located in Orange County, Florida, where approximately 198,000 square feet of classroom, laboratory, and administrative office space, together with related infrastructure was constructed. The facilities are used solely for education and research purposes and are operated and managed by the University. The University and the Corporation entered into an agreement whereby the Corporation leases the facilities to the University for the occupancy of the facilities. The University has agreed to pay a base rent equal to all amounts due and payable under the bond indenture and all amounts required to be paid associated with the bond issuance.

Annual requirements to amortize the outstanding notes as of June 30, 2017, are as follows:

Fiscal Year Ending June 30	Bonds Payable		Interest Rate Swap	Net Cash Flows
	Principal	Interest		
2018	\$ 1,490,000	\$ 2,245,544	\$ 76,973	\$ 3,812,517
2019	1,555,000	2,180,342	74,737	3,810,079
2020	1,630,000	2,112,295	72,405	3,814,700
2021	1,700,000	2,040,966	69,960	3,810,926
2022	1,790,000	1,966,574	67,410	3,823,984
2023-2027	10,260,000	8,584,397	294,255	19,138,652
2028-2032	12,915,000	6,118,084	209,715	19,242,799
2033-2037	16,250,000	3,013,750	103,305	19,367,055
2038	3,725,000	163,006	5,588	3,893,594
Total	\$ 51,315,000	\$ 28,424,958	\$ 974,348	\$ 80,714,306

The Corporation entered into an interest rate swap agreement in connection with \$60 million variable-rate bond issuance as a means to lower its borrowing costs when compared with fixed-rate bonds at the time of their issuance in June 2007. The interest rate swap agreement has a notional amount of \$51,315,000 and a maturity date of July 1, 2037. The Corporation utilizes such derivatives to manage the risk of rising interest rates on its variable interest-rate based debt. The counterparty to the interest rate swap agreement is a regional bank. Credit loss from counterparty nonperformance is not anticipated. Under the interest rate swap agreement, the Corporation pays the counterparty a fixed payment of 4.38 percent and receives a variable payment based on the Securities Industry and Financial Market Association swap index (0.86 percent at June 30, 2017). The variable-rate coupons of the bonds are reset weekly by the remarketing agent. As of June 30, 2017, the Corporation was not exposed to credit risk on this interest rate swap agreement because it had a negative fair value of \$12,550,585, which is reported in deferred outflows of resources on the statement of net position. This deferred outflow of resources reflects the settlement amount the Corporation would have to pay on June 30, 2017, to cancel the interest rate swap agreement which approximates the fair value of the liability transferred to a market participant. The liability's fair value is estimated based on valuation models, using interest rates and yield curves that are observable at commonly quoted intervals as the inputs (Level 2). If interest rates change and the fair value of the interest rate swap agreement becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivative's fair value. In accordance with the Corporation's policy to mitigate the potential for credit risk, the Corporation may require that the fair value of the interest rate swap agreement be fully collateralized by a letter of credit if the counterparty's credit quality falls below AA/Aa. As of June 30, 2017, collateralization was not required due to the swap agreement having a negative fair value.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability

for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2017, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$54,725,455. The current portion of the compensated absences liability, \$3,830,782, 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.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare 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 (OPEB) Plan. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the OPEB Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded OPEB costs or the net OPEB obligation. Premiums necessary for funding the OPEB Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2016-17 fiscal year, 507 retirees received postemployment healthcare benefits. The University provided required contributions of \$2,973,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$3,806,000, which represents 1.04 percent of covered payroll.

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 Statement No. 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. The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the University's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 12,368,000
Amortization of Unfunded Actuarial Accrued Liability	8,901,000
Interest on Normal Cost and Amortization	851,000
Annual Required Contribution	22,120,000
Interest on Net OPEB Obligation	3,173,000
Adjustment to Annual Required Contribution	(2,931,000)
Annual OPEB Cost (Expense)	22,362,000
Contribution Toward the OPEB Cost	(2,973,000)
Increase in Net OPEB Obligation	19,389,000
Net OPEB Obligation, Beginning of Year	79,335,000
Net OPEB Obligation, End of Year	<u>\$ 98,724,000</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2017, and for the 2 preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-15	\$ 12,943,000	10.2%	\$ 59,802,000
2015-16	22,125,000	11.7%	79,335,000
2016-17	22,362,000	13.3%	98,724,000

Funded Status and Funding Progress. As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$228,413,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$228,413,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$396,397,337 for the 2016-17 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 57.6 percent.

Actuarial valuations for an OPEB 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. Actuarially determined amounts regarding the funded status of the OPEB 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 financial statements, presents multiyear trend information that shows whether the actuarial value of OPEB 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 OPEB 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The University's OPEB actuarial valuation as of July 1, 2015, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2017, and the University's 2016-17 fiscal year ARC. 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 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 3.1 percent, 7.5 percent, and 8.8 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3 percent, 5.7 percent, and 7 percent for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 3.9 percent 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. The remaining amortization period at June 30, 2017, was 20 years.

Net Pension Liability. As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2017, the University's proportionate share of the net pension liabilities totaled \$199,603,453. Note 9. includes a complete discussion of defined benefit pension plans.

Interest Rate Swap. As described previously in the Bonds Payable paragraph above, the Corporation entered into an interest rate swap agreement in connection with its \$60 million bond issuance. As of June 30, 2017, this interest rate swap agreement had a negative fair value of \$12,550,585.

Other Noncurrent Liabilities. Other noncurrent liabilities primarily consist of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. Under the Perkins Loan program, the University receives Federal capital contributions that must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$6,165,630 as of June 30, 2017.

Certificate of Participation Payable and Bonds Payable – Component Units.

UCF Convocation Corporation

During the 2014-15 fiscal year, the UCF Convocation Corporation issued a \$58,645,000 Refunding Certificate of Participation, Series 2014A and a \$58,930,000 Refunding Certificate of Participation, Series 2014B related to the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space during the 2004-05 and 2005-06 fiscal years. The refunding certificates will mature on October 1, 2034 and October 1, 2035, respectively, and bear interest at a fixed rate of 3.61 and 3.80 percent per annum respectively.

During the 2015-16 fiscal year, the UCF Convocation Corporation issued a \$48,385,000 Refunding Revenue Bond, Series 2015A and a \$34,775,000 Taxable Refunding Revenue Bond, Series 2015B to a

bank related to the acquisition, construction, and installation of a new convocation center, renovation of the existing University Arena, and construction of related infrastructure during the 2005-06 fiscal year. The bonds will mature on October 1, 2035 and bear interest at fixed rates ranging from 1.50 to 5.00 percent per annum.

The outstanding balance of all UCF Convocation Corporation certificates and revenue bonds at June 30, 2017, was \$108,600,000 and \$79,825,000 before an unamortized premium of \$1,032,650.

The University entered into an operating agreement with the UCF Convocation Corporation whereby the UCF Convocation Corporation will be solely responsible for management and operations of the convocation center and related facilities. The University assigned its rights, title and interest in revenues generated from use of the facilities to the UCF Convocation Corporation and granted it the right to pledge revenues to secure repayment of the refunding revenue bonds. The University retained the right for priority use of the facilities for a period of at least one hundred days annually. In exchange, the University agreed to pay UCF Convocation Corporation \$2,200,000 per year for the term of the agreement. The term of the agreement ends in 2036 and cannot be terminated prior to the time that all related bonds have been paid in full. Amounts paid to UCF Convocation Corporation for the year ended June 30, 2017, totaled \$2,200,000.

The University entered into a support agreement with the UCF Convocation Corporation such that it will fund certain deficiencies that may arise in the event the corporation is unable to make the minimum payments on the certificates or bonds. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts. In the event of certain deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to defer collecting certain expenditures to cover any such deficiencies.

In fiscal year 2017, the Convocation Corporation met requirements necessary to release certain restricted funds held by the trustee. The Corporation's governing board made the decision to remit a portion of these funds back to the University. Transfers to the University totaled \$3,324,141 for fiscal year ended June 30, 2017.

UCF Stadium Corporation

During the 2015-16 fiscal year, the UCF Stadium Corporation issued Series 2015A tax-exempt refunding revenue bonds for \$33,995,000 with a net premium of \$2,332,576, Series 2015B taxable refunding revenue bonds for \$10,250,000, and a Series 2015C non-taxable refunding revenue bond for \$3,810,000 to a bank related to the construction of a football stadium on the campus at the University. The bonds include both term and serial bonds and are secured by a pledge from the UCF Athletics Association, Inc. of gross ticket revenues, rent, away game guarantees, conference distributions, and sponsorship revenues. The bonds bear fixed interest rates that range from 1.95 percent to 5.15 percent, and maturity dates that range from March 2029 to March 2036.

The outstanding balance of all UCF Stadium Corporation revenue bonds at June 30, 2017, was \$45,623,000, before an unamortized premium of \$2,150,194.

The University entered into a support agreement with the UCF Stadium Corporation such that it will fund certain deficiencies that may arise in the event either corporation is unable to make the minimum

payments on the bonds. In addition, if the Corporation has deficiencies for debt service coverage or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

Loans and Notes Payable – Component Units.

UCF Foundation Inc.

During the 2007-08 fiscal year, the University of Central Florida Foundation, Inc., signed renewal annuity notes payable with two Charitable Remainder Annuity Trusts for which the Foundation is named as irrevocable beneficiary. The notes bear interest at 7.13% and include quarterly installment payments with an aggregate balloon payment of unpaid principal and interest due on October 2017. As of June 30, 2017, the outstanding principal balance of the notes payable was \$1,958,020.

During the 2004-05 fiscal year, the University of Central Florida Foundation, Inc. entered into two notes of \$2,800,000 and \$10,400,000, respectively, with banks for the purchase of land and buildings. The notes are secured by the land, buildings, and lease revenues. As of June 30, 2017 the \$2,800,000 note was fully repaid. In May 2017, the note was refinanced to a 3.34% fixed rate. The note matures on April 1, 2029. As of June 30, 2017, the remaining outstanding principal was \$7,535,000.

During the 2009-10 fiscal year, the University of Central Florida Foundation, Inc. entered into a note agreement with a bank for \$19,925,000. The note is comprised of a tax-exempt portion with a fixed rate of 4.96% and a taxable portion with a fixed rate of 5.83%. The note is secured by buildings and lease revenue. As of June 30, 2017, the remaining outstanding principal for both the taxable and tax-exempt series was \$13,670,000.

UCF Athletics Association Inc.

During the 2014-15 fiscal year, the UCF Athletics Association, Inc., modified a construction line of credit with a local bank to a line of credit promissory note. The note matures June 2033, and the repayment schedule assumes the agreement is renewed annually. If the agreement is not renewed, the entire balance will be due in full at that time. On July 1, 2017, the UCF Athletics Association renewed the agreement until July 2018, which carries interest at 67 percent of LIBOR plus 1.34 percent (2.05 percent at June 30, 2017). The note is secured by an amount not to exceed 5% of the prior year's collection of student athletic fees and conference payments from the American conference. As of June 30, 2017, the amount outstanding on the note was \$5,924,999.

On July 3, 2017, the UCF Athletics Association, Inc., also renewed an operating line of credit agreement with a local bank for \$5,000,000. The line carries an interest rate of LIBOR plus 2.00 percent (3.06 percent at June 30, 2017). The line is secured by all contract royalties under a multimedia agreement, as well as, all NCAA grant-in-aid and sports sponsorship distributions. As of June 30, 2017, there was no amount outstanding on the operating line of credit.

Due to University – Component Units. The UCF Athletics Association received several loans from the University between 2004 and 2007. In 2009, those loans were consolidated into one loan. In July 2015, the Board of Trustees approved an amendment to the previous payment schedule. A payment of \$500,000 was made during fiscal 2017 with future years' payments ranging from \$500,000 to \$1,200,000. The loan matures in fiscal 2025 and bears interest at a variable rate equal to the preceding fiscal year's

average SPIA rate of return. As of June 30, 2017, the amount outstanding, including interest, totaled \$6,614,649.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The University's FRS and HIS pension expense totaled \$32,656,705 for the fiscal year ended June 30, 2017.

FRS Pension Plan

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

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

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

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<u>Regular Class members initially enrolled before July 1, 2011</u>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<u>Regular Class members initially enrolled on or after July 1, 2011</u>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<u>Senior Management Service Class</u>	2.00
<u>Special Risk Class</u>	
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.52
FRS, Senior Management Service	3.00	21.77
FRS, Special Risk	3.00	22.57
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled \$15,533,963 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the University reported a liability of \$141,366,568 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The University's proportionate share of the net pension liability was based on the University's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the University's proportionate share was 0.559865856 percent, which was an increase of 0.021704357 from its proportionate share measured as of June 30, 2015.

For the year ended June 30, 2017, the University recognized pension expense of \$26,753,099. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,824,112	\$ 1,316,218
Change of assumptions	8,552,254	-
Net difference between projected and actual earnings on FRS Plan investments	36,541,535	-
Changes in proportion and differences between University contributions and proportionate share of contributions	19,489,231	-
University FRS contributions subsequent to the measurement date	15,533,963	-
Total	\$ 90,941,095	\$ 1,316,218

The deferred outflows of resources totaling \$15,533,963, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2018	\$ 12,718,805
2019	12,718,805
2020	26,964,964
2021	17,724,619
2022	3,069,007
Thereafter	894,714
Total	\$ 74,090,914

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
Total	100%			
Assumed inflation - Mean		2.6%		1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.60 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
University's proportionate share of the net pension liability	\$260,265,423	\$141,366,568	\$42,398,974

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a

State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$2,803,354 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the University reported a liability of \$58,236,885 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within one year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The University's proportionate share of the net pension liability was based on the University's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the University's proportionate share was 0.499690735 percent, which was an increase of 0.03002851 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the University recognized pension expense of \$5,903,606. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 132,642
Change of assumptions	9,138,848	-
Net difference between projected and actual earnings on HIS Plan investments	29,446	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	5,742,793	-
University HIS contributions subsequent to the measurement date	2,803,354	-
Total	\$ 17,714,441	\$ 132,642

The deferred outflows of resources totaling \$2,803,354 resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the

fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 2,682,856
2019	2,682,856
2020	2,677,249
2021	2,674,558
2022	2,308,519
Thereafter	1,752,407
Total	\$ 14,778,445

Actuarial Assumptions. The total pension liability at July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	2.85 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 3.80 percent from the prior measurement date.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	<u>1% Decrease (1.85%)</u>	<u>Current Discount Rate (2.85%)</u>	<u>1% Increase (3.85%)</u>
University's proportionate share of the net pension liability	\$66,810,938	\$58,236,885	\$51,120,889

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

10. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2016-17 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution,

leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled \$3,662,336 for the fiscal year ended June 30, 2017.

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 FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.83 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 7.98 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$18,145,536, and employee contributions totaled \$11,215,589 for the 2016-17 fiscal year.

11. Construction Commitments

The University's major construction commitments at June 30, 2017, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Interdisciplinary Research and Incubator Facility	\$ 48,564,312	\$ 33,920,452	\$ 14,643,860
John C. Hitt Library Renovations	20,736,643	11,926,694	8,809,949
Partnership IV Phase II	19,100,000	100,000	19,000,000
District Energy Plant IV	11,806,651	5,804,379	6,002,272
Trevor Colbourn Hall	9,960,332	1,892,524	8,067,808
UCF Downtown Academic Building	3,981,718	1,185,827	2,795,891
Student Union Expansion	1,013,443	161,644	851,799
Subtotal	115,163,099	54,991,520	60,171,579
Other Projects (1)	31,849,190	26,068,987	5,780,203
Total	\$ 147,012,289	\$ 81,060,507	\$ 65,951,782

Note: (1) Individual projects with current balance committed of less than \$1 million at June 30, 2017.

12. Operating Lease Commitments

The University leased buildings under operating leases, which expire in fiscal year 2030. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 10,674,465
2019	10,598,595
2020	7,470,547
2021	1,685,114
2022	1,620,699
2023-2027	4,850,131
2028-2030	845,950
Total Minimum Payments Required	<u>\$ 37,745,501</u>

The University of Central Florida Foundation, Inc., receives rents and reimbursement for certain operating expenses from the University for various buildings owned by the Foundation and occupied by the University. The Foundation and University are also parties to a long-term 99-year ground lease for use of the land at Lake Nona for the Health Sciences Campus. Rents and reimbursements paid by the University for the year ended June 30, 2017, were \$9,306,243.

The University has also entered into rental agreements with the UCF Convocation Corporation for use of parking garages and various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year ended June 30, 2017, totaled \$2,417,957.

13. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2016-17 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$85 million for named windstorm and flood. 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. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

University Self-Insured Program.

The University of Central Florida, College of Medicine Self-Insurance Program (Program) was established pursuant to Section 1004.24, Florida Statutes, on September 25, 2008. The Program's purpose is to provide comprehensive general liability and professional liability (malpractice) coverage for the University of Central Florida Board of Trustees and students for claims and actions arising from the clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health and Public Affairs, and the Central Florida Clinical Practice Organization, Inc., faculty, staff and resident physicians. The Program provides legislative claims bill protection.

Prior to October 1, 2011, the Program provided the Board of Trustees with protection of \$100,000 per claim and \$200,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising from the same occurrence for the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and this student professional liability coverage may be increased subject to a \$1,000,000 limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; \$250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.28(9), Florida Statutes, is inapplicable as to an employee or agent of Trustees while such employee or agent functions within the course and scope of his or her employment or agency; and \$250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. In response to the Florida Legislature increasing the limits of liability contained in Section 768.28, Florida Statutes, effective October 1, 2011, the limits of protection for sovereign immune entities rose to \$200,000 per claim and \$300,000 from all claims arising from the single occurrence. By action of the UCF College of Medicine Self-Insurance Program Council, on March 23, 2012, the student coverage was increased to \$200,000 per claim and \$300,000 from all claims arising from the same occurrence; the \$1,000,000 increased limit was not affected by this action. Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2015-16 and 2016-17 fiscal years are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liabilities End of Year
June 30, 2016	\$ 43,329	\$ 98,071	\$ 178	\$ 141,222
June 30, 2017	141,222	92,630	274	233,578

14. Litigation

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

15. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	\$ 335,592,215
Research	124,711,484
Public Services	8,830,140
Academic Support	70,347,718
Student Services	53,925,600
Institutional Support	113,916,583
Operation and Maintenance of Plant	51,143,141
Scholarships, Fellowships, and Waivers	89,930,504
Depreciation	62,794,334
Auxiliary Enterprises (Net)	102,151,032
Loan Operations	482,122
Total Operating Expenses	\$ 1,013,824,873

16. 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, deferred outflows of resources, liabilities, and deferred inflows of resources are required to be accounted for separately. The following financial information for the University's Housing, Parking, and Health Service facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Services Capital Improvement Debt
Assets			
Current Assets	\$ 17,606,484	\$ 17,378,378	\$ 10,148,876
Capital Assets, Net	93,131,640	61,400,379	10,797,260
Other Noncurrent Assets	11,162,384	9,768,977	6,506,694
Total Assets	121,900,508	88,547,734	27,452,830
Liabilities			
Current Liabilities	8,945,884	5,287,984	1,584,694
Noncurrent Liabilities	89,567,123	27,754,119	3,885,394
Total Liabilities	98,513,007	33,042,103	5,470,088
Net Position			
Net Investment in Capital Assets	(751,046)	30,376,153	7,227,988
Restricted - Expendable	11,120,446	9,195,534	6,182,748
Unrestricted	13,018,101	15,933,944	8,572,006
Total Net Position	\$ 23,387,501	\$ 55,505,631	\$ 21,982,742

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

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Services Capital Improvement Debt
Operating Revenues	\$ 30,702,541	\$ 21,606,678	\$ 21,958,650
Depreciation Expense	(4,627,521)	(2,768,329)	(554,398)
Other Operating Expenses	(16,273,742)	(12,041,385)	(18,201,019)
Operating Income	9,801,278	6,796,964	3,203,233
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	451,349	537,133	267,348
Interest Expense	(4,196,148)	(1,369,856)	(195,030)
Other Nonoperating Expense	(1,501)	199,367	110
Net Nonoperating Expenses	(3,746,300)	(633,356)	72,428
Other Revenues, Expenses, Gains and Losses	(5,294,434)	(1,792,346)	(2,487,643)
Increase in Net Position	760,544	4,371,262	788,018
Net Position, Beginning of Year	22,626,957	51,134,369	21,194,724
Net Position, End of Year	\$ 23,387,501	\$ 55,505,631	\$ 21,982,742

Condensed Statement of Cash Flows

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Services Capital Improvement Debt
Net Cash Provided (Used) by:			
Operating Activities	\$ 13,956,891	\$ 9,880,022	\$ 3,898,123
Noncapital Financing Activities	(2,774,203)	(1,743,158)	(2,388,047)
Capital and Related Financing Activities	(12,785,707)	(8,235,816)	(2,962,093)
Investing Activities	154,811	(1,045,435)	610,080
Net Decrease in Cash and Cash Equivalents	(1,448,208)	(1,144,387)	(841,937)
Cash and Cash Equivalents, Beginning of Year	2,823,043	2,429,816	1,625,018
Cash and Cash Equivalents, End of Year	\$ 1,374,835	\$ 1,285,429	\$ 783,081

17. Blended Component Units

The University has two blended component units as discussed in Note 1. The following financial information is presented net of eliminations for the University's blended component units:

Condensed Statement of Net Position

	Blended Component Units					
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Assets:						
Other Current Assets	\$ 4,370,336	\$ 4,602,733	\$ 8,973,069	\$ 593,328,647	\$ -	\$ 602,301,716
Capital Assets, Net	-	-	-	1,058,908,854	-	1,058,908,854
Due From University / Blended CU	47,305,410	-	47,305,410	-	(47,305,410)	-
Other Noncurrent Assets	-	-	-	144,896,482	-	144,896,482
Total Assets	51,675,746	4,602,733	56,278,479	1,797,133,983	(47,305,410)	1,806,107,052
Deferred Outflows of Resources	12,550,585	-	12,550,585	108,655,536	-	121,206,121
Liabilities:						
Other Current Liabilities	1,709,147	238,078	1,947,225	109,550,753	-	111,497,978
Due To University / Blended CU	-	-	-	47,305,410	(47,305,410)	-
Noncurrent Liabilities	62,375,585	-	62,375,585	472,035,701	-	534,411,286
Total Liabilities	64,084,732	238,078	64,322,810	628,891,864	(47,305,410)	645,909,264
Deferred Inflows of Resources	-	-	-	1,448,860	-	1,448,860
Net Position:						
Net Investment in Capital Assets	-	-	-	887,634,922	-	887,634,922
Restricted - Expendable	141,599	4,364,655	4,506,254	217,239,324	-	221,745,578
Unrestricted	-	-	-	170,574,549	-	170,574,549
Total Net Position	\$ 141,599	\$ 4,364,655	\$ 4,506,254	\$ 1,275,448,795	\$ -	\$ 1,279,955,049

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

	Blended Component Units					
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Operating Revenues	\$ -	\$ 822,331	\$ 822,331	\$ 523,002,034	\$ (818,584)	\$ 523,005,781
Depreciation Expense	-	-	-	(62,794,334)	-	(62,794,334)
Other Operating Expenses	(205,587)	(332,466)	(538,053)	(950,492,930)	444	(951,030,539)
Operating Income (Loss)	(205,587)	489,865	284,278	(490,285,230)	(818,140)	(490,819,092)
Nonoperating Revenues (Expenses):						
Nonoperating Revenue	2,510,023	159,469	2,669,492	531,614,093	(2,499,509)	531,784,076
Interest Expense	(2,304,436)	-	(2,304,436)	(5,709,294)	-	(8,013,730)
Other Nonoperating Expense	-	-	-	(41,519,606)	3,317,649	(38,201,957)
Net Nonoperating Revenues	205,587	159,469	365,056	484,385,193	818,140	485,568,389
Other Revenues	-	-	-	60,633,180	-	60,633,180
Increase in Net Position	-	649,334	649,334	54,733,143	-	55,382,477
Net Position, Beginning of Year	141,599	3,715,321	3,856,920	1,220,715,652	-	1,224,572,572
Net Position, End of Year	\$ 141,599	\$ 4,364,655	\$ 4,506,254	\$ 1,275,448,795	\$ -	\$ 1,279,955,049

Condensed Statement of Cash Flows

	Blended Component Units					
		University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
UCF Finance Corporation						
Net Cash Provided (Used) by:						
Operating Activities	\$ (308,999)	\$ 639,058	\$ 330,059	\$ (389,509,511)	\$ (818,584)	\$ (389,998,036)
Noncapital Financing Activities	-	-	-	478,502,749	4,864,243	483,366,992
Capital and Related Financing Activities	334,561	-	334,561	(102,932,810)	(4,045,659)	(106,643,908)
Investing Activities	10,958	(306,657)	(295,699)	(15,724,921)	-	(16,020,620)
Net Increase (Decrease) in Cash and Cash Equivalents	36,520	332,401	368,921	(29,664,493)	-	(29,295,572)
Cash and Cash Equivalents, Beginning of Year	4,101,306	1,235,290	5,336,596	42,981,511	-	48,318,107
Cash and Cash Equivalents, End of Year	\$ 4,137,826	\$ 1,567,691	\$ 5,705,517	\$ 13,317,018	\$ -	\$ 19,022,535

18. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations					Other	Total
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation	Central Florida Clinical Practice Organizations, Inc.	
Assets:							
Current Assets	\$ 35,086,237	\$ 14,447,860	\$ 5,793,133	\$ 18,490,760	\$ 3,316,874	\$ 77,134,864	\$ 82,812,523
Capital Assets, Net	75,655,619	-	16,864,199	81,385,654	-	173,905,472	173,995,788
Other Noncurrent Assets	209,852,401	590,118	-	2,525,222	-	212,967,741	212,967,741
Total Assets	320,594,257	15,037,978	22,657,332	102,401,636	3,316,874	464,008,077	469,776,052
Deferred Outflows of Resources	416	-	-	599,880	66,032	666,328	666,328
Liabilities:							
Current Liabilities	7,423,294	9,719,594	6,876,187	12,030,383	3,926,266	39,975,724	40,278,212
Noncurrent Liabilities	19,896,699	-	12,425,927	182,212,650	46,058,194	260,593,470	260,593,470
Total Liabilities	27,319,993	9,719,594	19,302,114	194,243,033	49,984,460	300,569,194	300,871,682
Deferred Inflows of Resources	-	-	-	184,564	-	184,564	184,564
Net Position:							
Net Investment in Capital Assets	54,451,036	-	10,918,719	(107,656,680)	(47,707,162)	(89,994,087)	(89,903,771)
Restricted Nonexpendable	130,431,162	-	-	-	-	130,431,162	130,431,162
Restricted Expendable	89,003,305	755,135	2,490,528	10,229,603	208,358	102,686,929	102,686,929
Unrestricted	19,389,177	4,563,249	(10,054,029)	6,000,996	897,250	20,796,643	26,171,814
Total Net Position	\$ 293,274,680	\$ 5,318,384	\$ 3,355,218	\$ (91,426,081)	\$ (46,601,554)	\$ 163,920,647	\$ 169,386,134

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

	Direct-Support Organizations						Other	Total
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation	Total Direct-Support Organizations	Central Florida Clinical Practice Organizations, Inc.	
Operating Revenues	\$ 56,177,859	\$ 12,702,187	\$ 51,079,927	\$ 30,707,269	\$ 3,483,291	\$ 154,150,533	\$ 4,249,059	\$ 158,399,592
Depreciation Expense	(1,973,275)	-	(870,557)	(3,096,104)	(5,112)	(5,945,048)	(74,202)	(6,019,250)
Operating Expenses	(48,536,176)	(11,683,412)	(48,138,018)	(14,686,852)	(120,171)	(123,164,629)	(1,506,209)	(124,670,838)
Operating Income	5,668,408	1,018,775	2,071,352	12,924,313	3,358,008	25,040,856	2,668,648	27,709,504
Net Nonoperating Revenues (Expenses):								
Nonoperating Revenues	12,118,986	-	1,475,855	132,223	42,797	13,769,861	-	13,769,861
Interest Expense	-	-	(251,129)	(7,034,471)	(1,832,278)	(9,117,878)	-	(9,117,878)
Other Nonoperating Expenses	(34,455)	(38,249)	-	(4,011,675)	(276,161)	(4,360,540)	(437,002)	(4,797,542)
Net Nonoperating Revenues (Expenses)	12,084,531	(38,249)	1,224,726	(10,913,923)	(2,065,642)	291,443	(437,002)	(145,559)
Other Revenues, Expenses, Gains, and Losses	4,270,764	-	-	-	-	4,270,764	-	4,270,764
Increase in Net Position	22,023,703	980,526	3,296,078	2,010,390	1,292,366	29,603,063	2,231,646	31,834,709
Net Position, Beginning of Year	271,250,977	4,337,858	59,140	(93,436,471)	(47,893,920)	134,317,584	3,233,841	137,551,425
Net Position, End of Year	\$ 293,274,680	\$ 5,318,384	\$ 3,355,218	\$ (91,426,081)	\$ (46,601,554)	\$ 163,920,647	\$ 5,465,487	\$ 169,386,134

The UCF Convocation Corporation and the UCF Stadium Corporation have a deficit net position of \$91,426,081 and \$46,601,554, respectively, as of June 30, 2017. These deficits are attributed to the transfer of buildings and building improvements to the University as a result of the August 2015 and December 2015 debt refunding which terminated the ground lease between the UCF Convocation Corporation and the University, and the UCF Stadium Corporation and the University. The Corporations' debts related to the refunding were previously included as a component of the Net Investment in Capital Assets net position but are now included as component of unrestricted net position on their stand-alone financial statements. The University has reclassified the amounts to Net Investment in Capital Assets in the Statement of Net Position. As the UCF Convocation Corporation and the UCF Stadium Corporation continue to reduce its outstanding long term debt obligations, the deficit net position will decrease.

19. Subsequent Events

In September 2017, the UCF Finance Corporation issued a Series 2017 term loan of \$63,359,000 to a bank. Proceeds of \$63,359,000 from the term loan plus an additional \$918,459 of funds contributed from the Corporation were used to terminate the Corporation's interest rate swap liability in the amount of \$13,447,600 as of the time of closing, to purchase \$50,627,660 of U.S. Treasury State and Local Government Series Securities, and to fund \$202,199 in cost of issuance expenses. The U.S. Treasury State and Local Government Series Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Corporation's outstanding Series 2007 capital improvement revenue bonds. The Corporation expects to extinguish the Series 2007 capital improvement revenue bonds in October, 2017.

Draft

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2011	\$ -	\$ 118,673,000	\$ 118,673,000	0%	\$ 280,490,639	42.3%
7/1/2013	-	141,984,000	141,984,000	0%	305,107,256	46.5%
7/1/2015	-	228,413,000	228,413,000	0%	364,535,289	62.7%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

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

	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.559865856%	0.538161499%	0.484303900%	0.360374086%
University's proportionate share of the FRS net pension liability	\$ 141,366,568	\$ 69,510,775	\$ 29,549,662	\$ 62,036,419
University's covered payroll (2)	\$ 364,535,289	\$ 333,695,268	\$ 305,107,256	\$ 289,894,138
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	38.78%	20.83%	9.69%	21.40%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 15,533,963	\$ 13,653,222	\$ 13,120,834	\$ 10,608,311
FRS contributions in relation to the contractually required contribution	(15,533,963)	(13,653,222)	(13,120,834)	(10,608,311)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
University's covered payroll (2)	\$ 396,397,337	\$ 364,535,289	\$ 333,695,268	\$ 305,107,256
FRS contributions as a percentage of covered payroll	3.92%	3.75%	3.93%	3.48%

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

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

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

	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the HIS net pension liability	0.499690735%	0.469662225%	0.430757459%	0.415357381%
University's proportionate share of the HIS net pension liability	\$ 58,236,885	\$ 47,898,159	\$ 40,276,874	\$ 36,162,321
University's covered payroll (2)	\$ 153,090,572	\$ 140,702,712	\$ 127,489,508	\$ 122,964,996
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	38.04%	34.04%	31.59%	29.41%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.97%	0.50%	0.99%	1.78%

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

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

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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	\$ 2,803,354	\$ 2,561,234	\$ 1,795,341	\$ 1,475,630
HIS contributions in relation to the contractually required HIS contribution	(2,803,354)	(2,561,234)	(1,795,341)	(1,475,630)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
University's covered payroll (2)	\$ 166,665,368	\$ 153,090,572	\$ 140,702,712	\$ 127,489,508
HIS contributions as a percentage of covered payroll	1.68%	1.70%	1.28%	1.16%

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2015, unfunded actuarial accrued liability of \$228,413,000 was significantly higher than the July 1, 2013, liability of \$141,984,000 as a result of (1) the per capita claims cost assumption increased, (2) retiree contributions were not as high as expected, (3) the healthcare trend rate assumption was revised, (4) certain demographic assumptions were revised (retirement rates, termination rates, etc.), and (5) changes in allocations by agency based on current census information.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.65 percent to 7.60 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.80 percent to 2.85 percent.

Draft

ITEM: INFO-3

**University of Central Florida
Board of Trustees
Finance and Facilities Committee**

SUBJECT: UCF Key Financial Ratios

DATE: December 13, 2017

For information only.

Supporting documentation: Attachment A: UCF Key Financial Ratios
Attachment B: UCF Compared to State University System

Prepared by: Tracy Clark, Associate Provost for Budget, Planning, and
Administration and Associate Vice President for Finance

Submitted by: William F. Merck II, Vice President for Administration and Finance and
Chief Financial Officer

Attachment A

Key Financial Ratios

June 30, 2017

UNIVERSITY OF CENTRAL FLORIDA

Core Financial Ratios and Composite Financial Index

The following ratios and related benchmarks are derived from *Strategic Financial Analysis for Higher Education*, Seventh Edition published by KPMG, Prager, Sealy & Co., LLC, and Attain. This book is widely used in the higher education industry, and the most recent edition includes guidance specifically for public institutions of higher education.

The following four core ratios help answer these key questions:

- Primary Reserve Ratio** - Are the resources sufficient and flexible enough to support the university's mission?
 This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. A ratio of 40 percent (provides about five months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.
- Net Operating Revenues Ratio** - Do the operating results indicate that the university is living within available resources?
 A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of .25 percent to 4 percent is a goal over an extended time period. The result will likely vary from year to year.
- Return on Net Assets** - Does financial asset performance support the strategic direction of the university?
 Institutions should establish a real rate of return target in the range of approximately 3 percent to 4 percent. The real return plus the actual inflation index, the Higher Education Price Index, published by Commonfund Institute will provide the nominal rate of return. The nominal rate of return is the amount generated before factoring in inflation.
- Viability Ratio** - Is debt managed strategically to advance the university's mission?
 Analysis of historical financial statements indicates that this ratio should fall between 0.50 and 1.50, and higher for the strongest creditworthy institutions.

Composite Financial Index - When combined, these four ratios deliver a single measure of the overall financial health of the university, hereafter referred to as the Composite Financial Index.

Debt Burden Ratio - Although not a core strategic financial ratio, the Debt Burden Ratio is a key tool in measuring debt affordability and should be considered as a key financial indicator for any institution using debt. This ratio examines the institution's dependence on borrowed funds and the relative cost of borrowing to overall expenditures.

Note: Ratios are calculated based on actual numbers. Data presented in charts is rounded to the millions. Therefore, chart data will not calculate exactly to the ratio percentages.

The ratios are calculated as follows:

Primary Reserve Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Total Expense}}$$

Net Operating Revenues Ratio

$$\frac{\text{Operating and Non-Operating Net Income (Loss)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

Return on Net Assets

$$\frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

Viability Ratio

$$\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$$

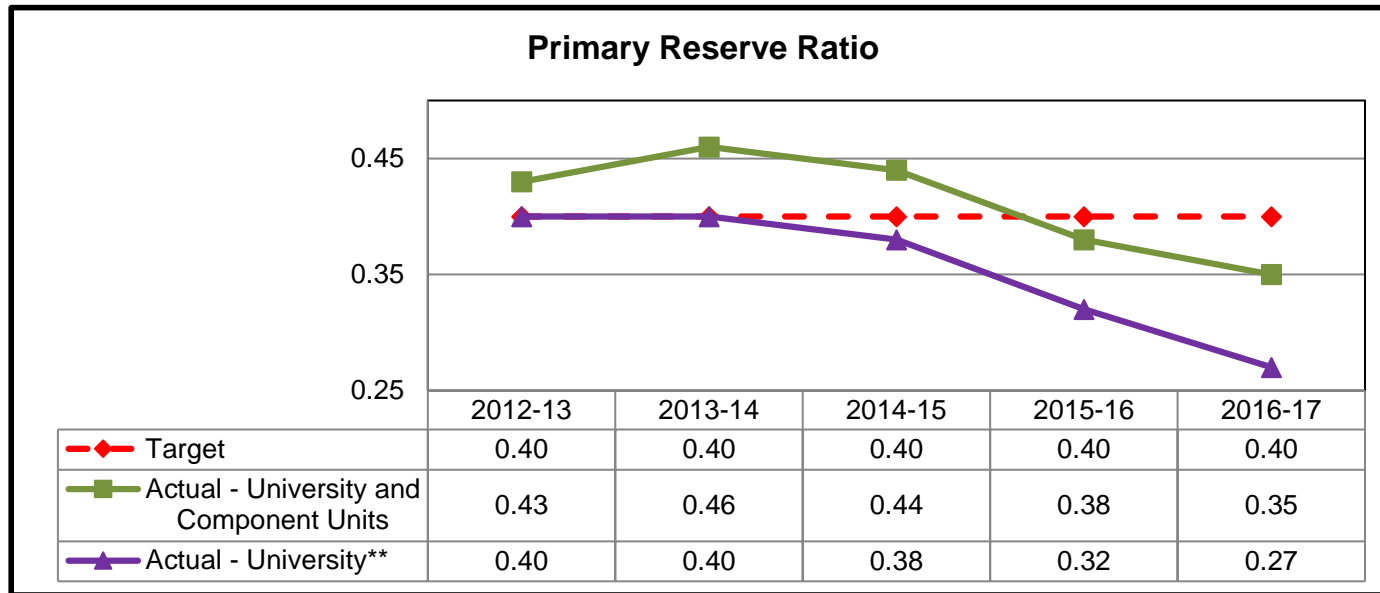
Debt Burden Ratio

$$\frac{\text{Debt Service}}{\text{Adjusted Expenses}}$$

Key Financial Ratios – Excluding GASB 68 (pension liabilities and related deferrals) impact

Note: Amounts reflected in the following ratios exclude allocated pension liabilities and related deferrals. GASB 68 requires the university to recognize its proportionate share of the collective net pension liabilities of the Florida Retirement System defined benefit plans.

Primary Reserve Ratio – Excluding GASB 68 impact



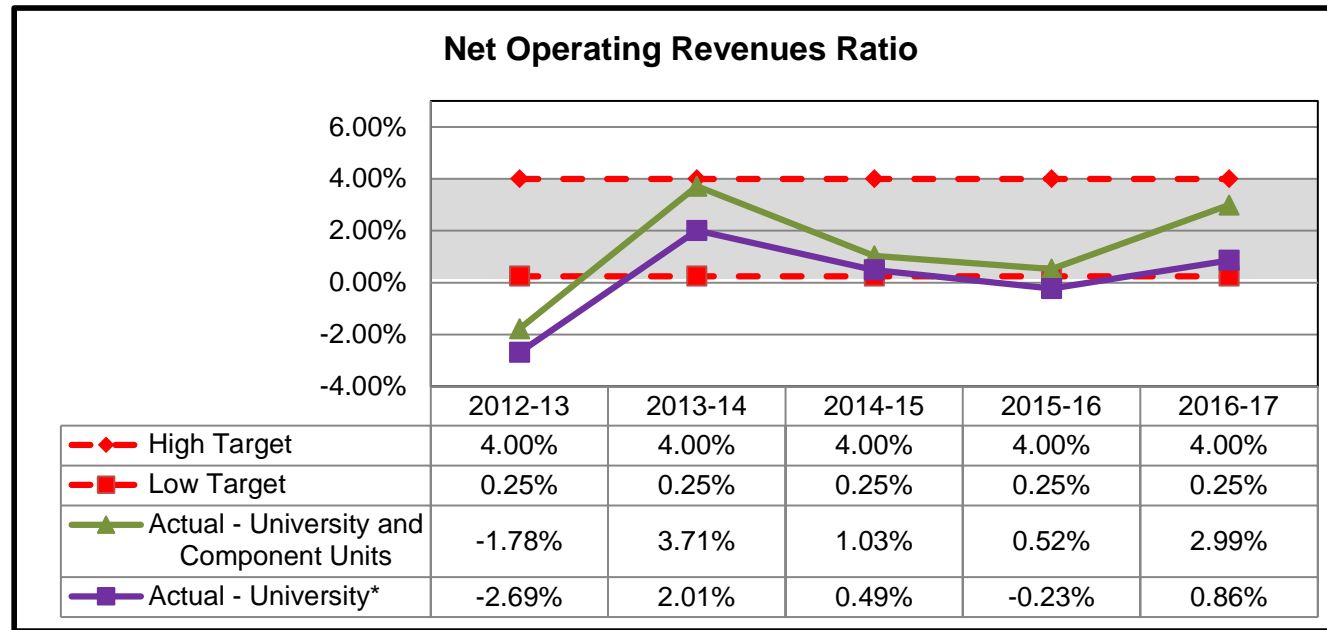
- This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. A ratio of 40 percent (provides about five months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

This ratio is calculated as follows: $\text{Primary Reserve Ratio} = \frac{\text{Expendable Net Assets}^*}{\text{Total Expense}}$	Primary Reserve (in millions)	University and Component Units					University**				
		2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
	Expendable Net Assets*	405	463	469	420	411	319	351	355	309	285
	Expenses	938	998	1,059	1,118	1,190	807	869	931	976	1,046

* Excludes expendable net assets restricted for capital.

** Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Net Operating Revenues Ratio – Excluding GASB 68 impact

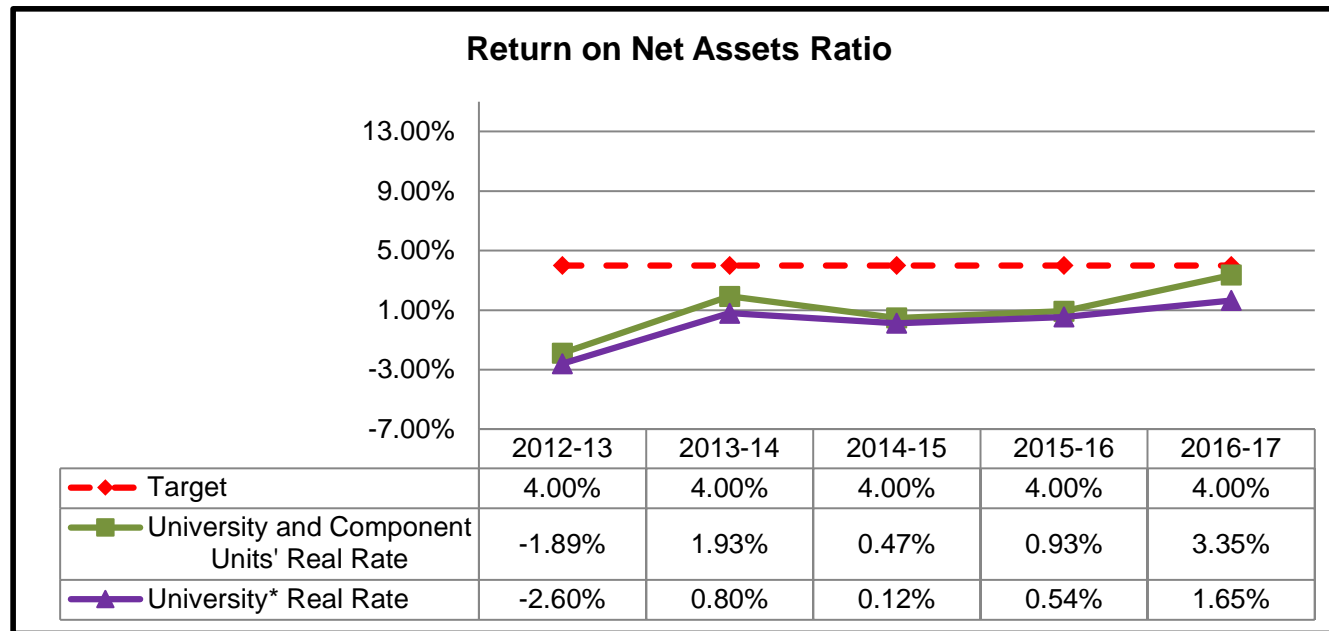


- A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of 0.25 percent to 4 percent is a goal over an extended time period. The result will likely vary from year to year. This ratio does not include capital revenue sources.

This ratio is calculated as follows: $\frac{\text{Net Operating Revenues Ratio}}{\text{Operating and Non-Operating Net Income (Loss)}} = \frac{\text{Operating Revenues plus Non-Operating Revenues}}{\text{Operating Revenues plus Non-Operating Revenues}}$	Net Operating Revenues (in millions)	University and Component Units					University*				
		2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
	Operating and non-operating net income (loss)	(16)	38	11	6	37	(21)	18	5	(2)	9
	Operating revenues plus non-operating revenues	922	1,036	1,070	1,123	1,227	786	887	936	974	1,055

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Return on Net Assets Ratio – Excluding GASB 68 impact



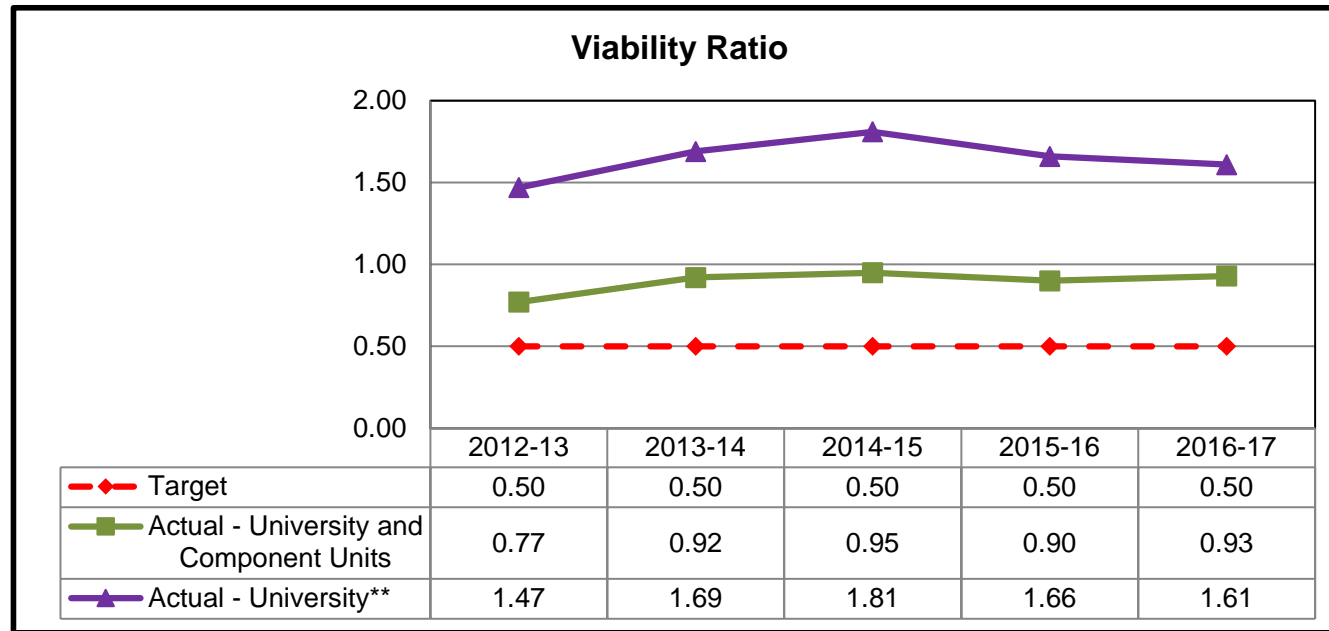
- This ratio measures whether the university has improved financially by measuring total economic return or the return on net assets that occurred as a result of the university's activities. The real rate of return adjusts the nominal rate for the effects of inflation using the Higher Education Price Index. The university has established a target of 4 percent.

This ratio is calculated as follows: $\frac{\text{Return on Net Assets}}{\frac{\text{Change in Net Assets}}{\text{Total Net Assets}}}$	Return on Net Assets Ratio (in millions)	University and Component Units					University*				
		2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
	Change in total net assets	(4)	64	35	38	102	(11)	41	25	27	70
	Total net assets (beginning of year)	1,306	1,303	1,367	1,401	1,440	1,092	1,081	1,122	1,147	1,303
	HEPI Rate	1.60%	3.00%	2.10%	1.80%	3.70%	1.60%	3.00%	2.10%	1.80%	3.70%

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

** Higher Education Price Index rate for 2017 is not yet available. Above assumes rate consistent with 2016.

Viability Ratio – Excluding GASB 68 impact



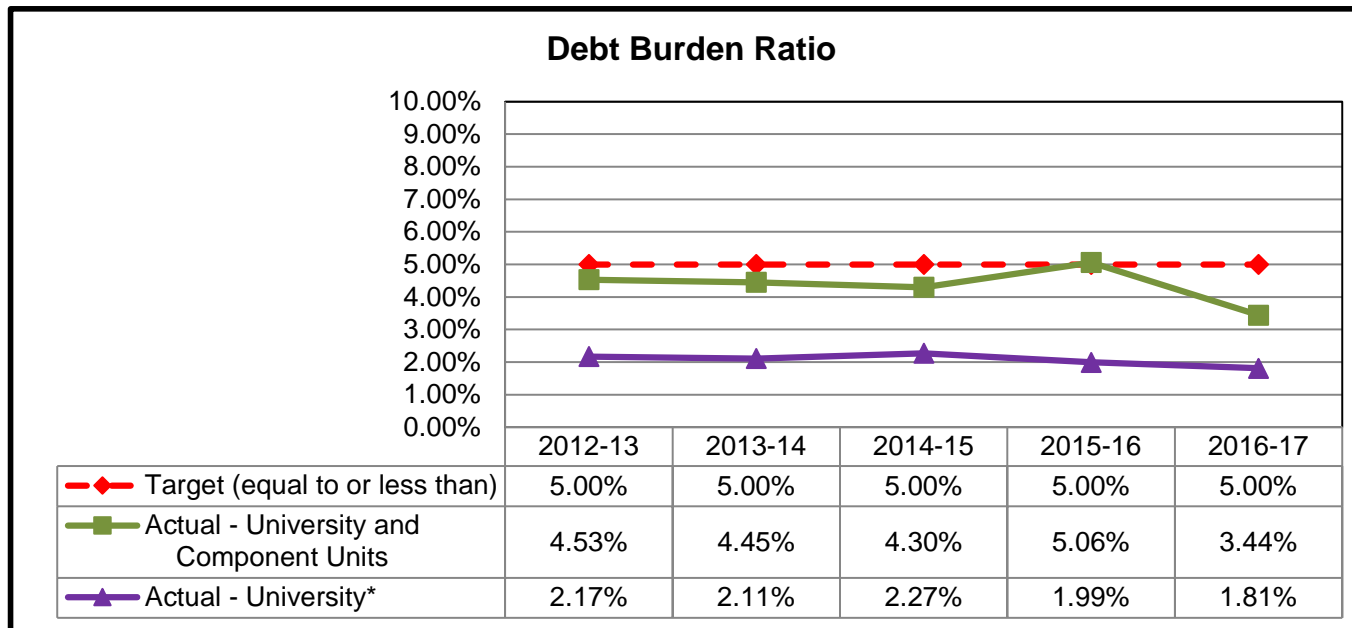
- This ratio measures one of the most basic determinants of clear financial health, the availability of expendable net assets to cover debt should the university and component units need to settle its obligations. A ratio of 0.5 or greater indicates the university and component units have sufficient reserves to satisfy all liabilities, including long-term debt.

This ratio is calculated as follows: $\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$	Viability Ratio	University and Component Units					University**				
	(in millions)	2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
	Expendable Net Assets*	405	463	469	420	411	319	351	355	309	285
	Long-term Debt	525	506	496	465	444	217	208	197	187	177

* Excludes expendable net assets restricted for capital.

** Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Debt Burden Ratio – Excluding GASB 68 impact



- This ratio measures the percentage of total expenditures the university and component units spent on debt service. Although not a core strategic financial ratio, the Debt Burden Ratio is a key tool in measuring debt affordability and should be considered as a key financial indicator for any institution using debt. A target of 5 percent indicates an acceptable dependency on borrowed funds.

This ratio is calculated as follows:

$$\frac{\text{Debt Service}}{\text{Adjusted Expenses}} = \text{Debt Burden Ratio}$$

Debt Burden (in millions)	University and Component Units					University*				
	2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
Debt Burden	40	42	44	55	39	16	17	20	18	18
Adjusted Expenses	888	946	1,013	1,085	1,142	759	817	885	926	993

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Computing the Composite Financial Index - *Overview of Methodology*

This methodology is an arithmetic means of combining the primary reserve ratio, net operating revenues ratio, return on net assets ratio and viability ratio as a measure of fundamental elements of financial health to yield a single composite financial index that represents an institution's overall financial health.

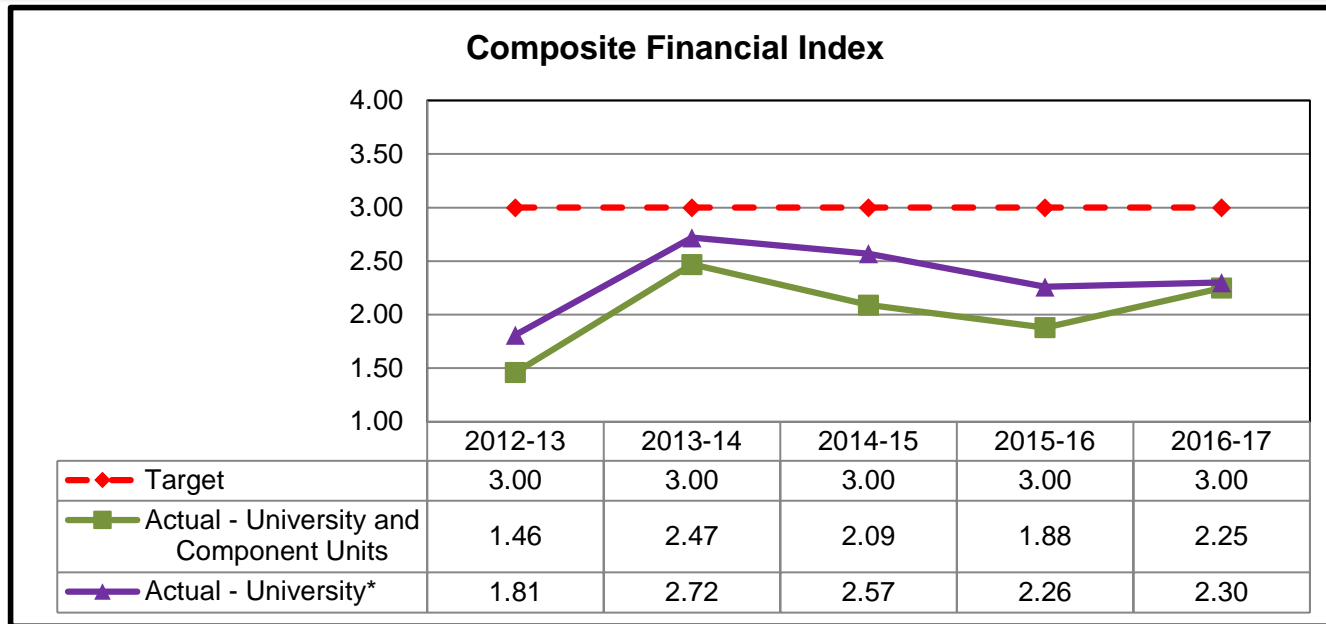
Under the methodology, the composite financial index (CFI) is calculated as follows:

- determine the value of each ratio.
- divide each ratio by an industry determined relevant value to calculate a strength factor.
- multiply strength factors by specific weighting factors.
- total the resulting four numbers to reach a single CFI score.

These scores do not have absolute precision but can be indicators of overall institutional well-being when evaluated in conjunction with nonfinancial indicators. However, the ranges do have enough precision to be indicators of the institutional financial health, and the CFI as well as its trend line over a period of time can be the single most important measure of the financial health for the institution.

- $$\text{CFI} = \text{Sum of } \left(\frac{\text{Ratios}}{\text{Relevant Value}} \right) \times \text{Weight}$$

Composite Financial Index – Excluding GASB 68 impact



- This index is a composite of the four key ratios. When combined, these four ratios deliver a single measure of the overall financial health of the university. The university has established a target of 3.00.

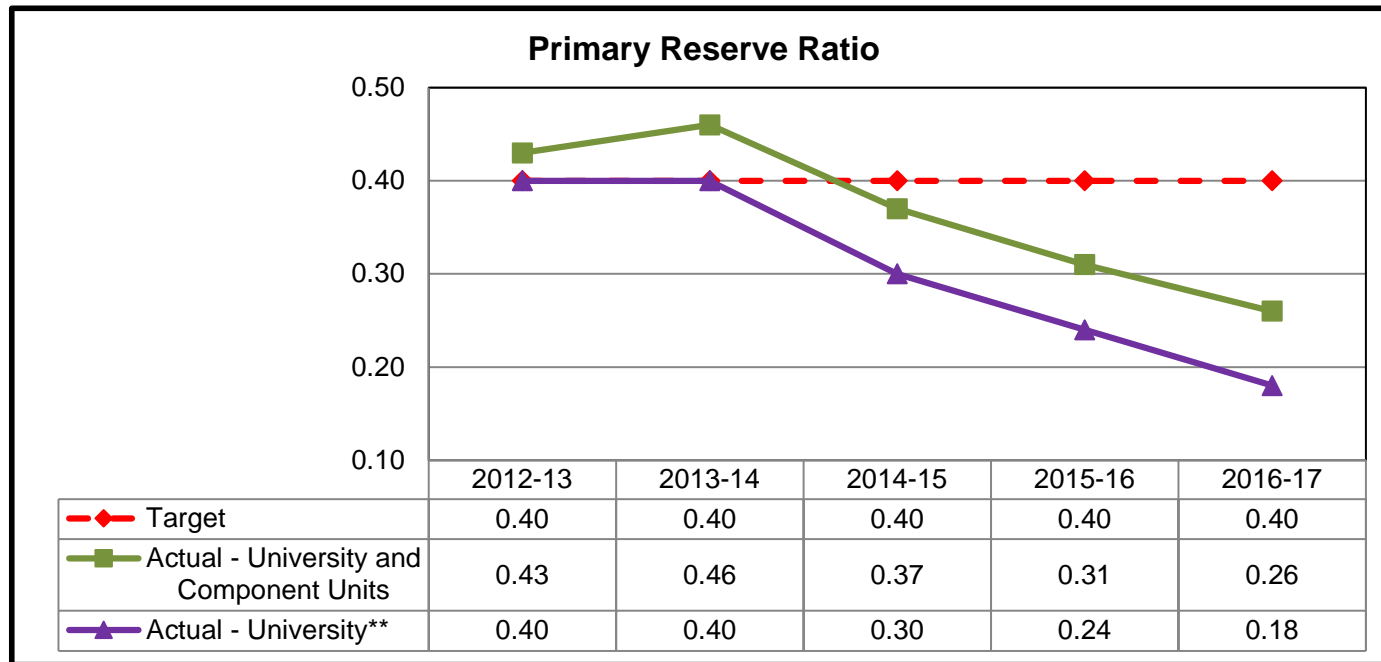
University and Component Units								University*				
	Relevant Value	Weight	2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
Primary Reserve Ratio	0.133	35%	1.14	1.22	1.17	0.99	0.91	1.04	1.06	1.00	0.83	0.72
Net Operating Revenues Ratio	0.013	10%	(0.14)	0.29	0.08	0.04	0.23	(0.21)	0.15	0.04	(0.02)	0.07
Return on Net Assets Ratio	0.02	20%	(0.19)	0.19	0.05	0.09	0.34	(0.26)	0.08	0.01	0.05	0.17
Viability Ratio	0.417	35%	0.65	0.77	0.79	0.76	0.78	1.23	1.42	1.52	1.39	1.35
Composite Financial Index			1.46	2.47	2.09	1.88	2.25	1.81	2.72	2.57	2.26	2.30

- Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Key Financial Ratios – Including GASB 68 (pension liabilities and related deferrals) impact

Note: Amounts reflected in the following ratios match amounts reported in the university's financial statement prepared in accordance with generally accepted accounting principles.

Primary Reserve Ratio – Including GASB 68 impact



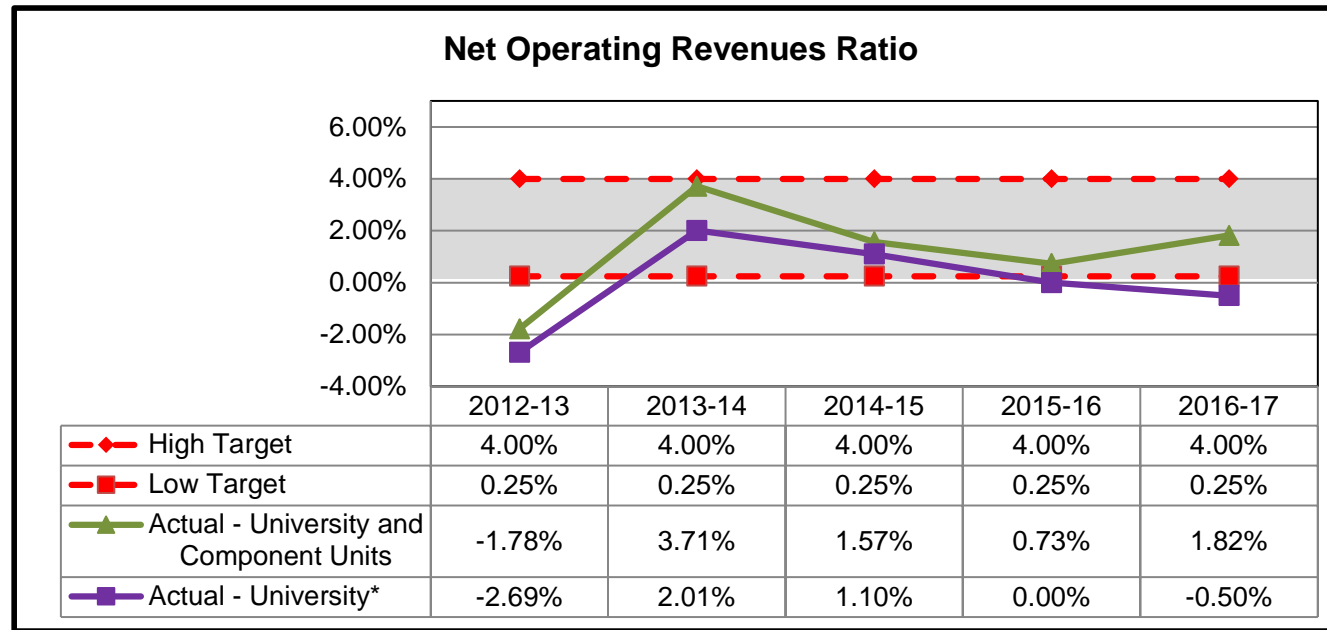
- This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. A ratio of 40 percent (provides about five months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

This ratio is calculated as follows: $\frac{\text{Primary Reserve Ratio}}{\text{Expendable Net Assets}^*}$ $\frac{\text{Expendable Net Assets}^*}{\text{Total Expense}}$	Primary Reserve (in millions)	University and Component Units					University**				
		2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
	Expendable Net Assets*	405	463	389	342	319	319	351	274	231	193
	Expenses	938	998	1,053	1,115	1,205	807	869	925	974	1,060

* Excludes expendable net assets restricted for capital.

** Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Net Operating Revenues Ratio – Including GASB 68 impact

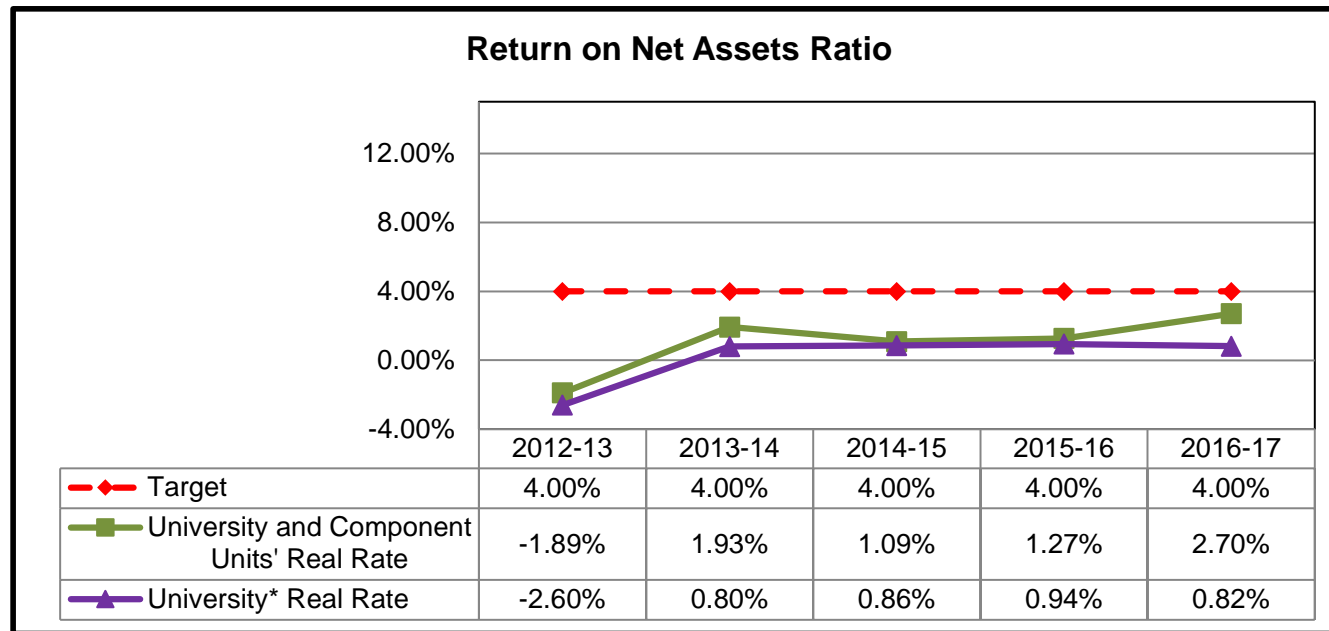


- A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of 0.25 percent to 4 percent is a goal over an extended time period. The result will likely vary from year to year. This ratio does not include capital revenue sources.

This ratio is calculated as follows: $\frac{\text{Operating and Non-Operating Net Income (Loss)}}{\text{Operating Revenues plus Non-Operating Revenues}}$	Net Operating Revenues (in millions)	University and Component Units					University*				
		2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
	Operating and non-operating net income (loss)	(16)	38	17	8	22	(21)	18	10	0	(5)
	Operating revenues plus non-operating revenues	922	1,036	1,070	1,123	1,227	786	887	936	974	1,055

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Return on Net Assets Ratio – Including GASB 68 impact



- This ratio measures whether the university has improved financially by measuring total economic return or the return on net assets that occurred as a result of the university's activities. The real rate of return adjusts the nominal rate for the effects of inflation using the Higher Education Price Index. The university has established a target of 4 percent.

This ratio is calculated as follows:

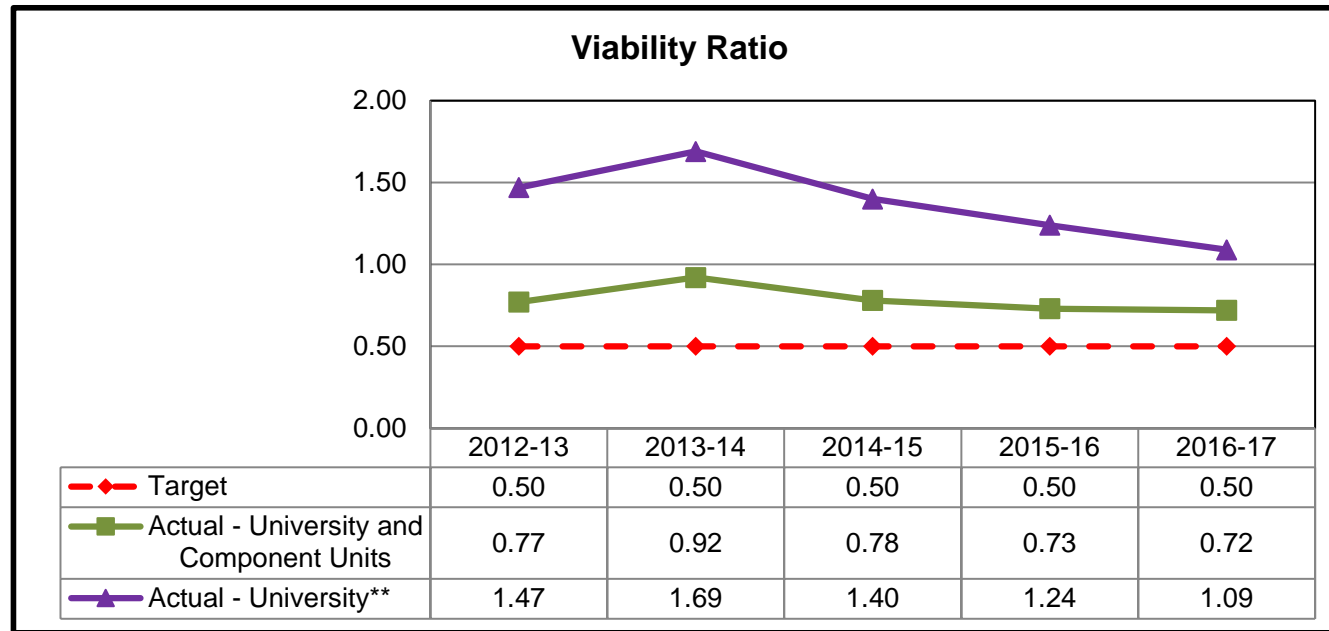
Return on Net Assets

$$\frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

Return on Net Assets Ratio (in millions)	University and Component Units					University*				
	2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
Change in total net assets	(4)	64	41	41	87	(11)	41	31	29	55
Total net assets (beginning of year)	1,306	1,303	1,281	1,322	1,362	1,092	1,081	1,036	1,067	1,225
HEPI Rate	1.60%	3.00%	2.10%	1.80%	3.70%	1.60%	3.00%	2.10%	1.80%	3.70%

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Viability Ratio – Including GASB 68 impact



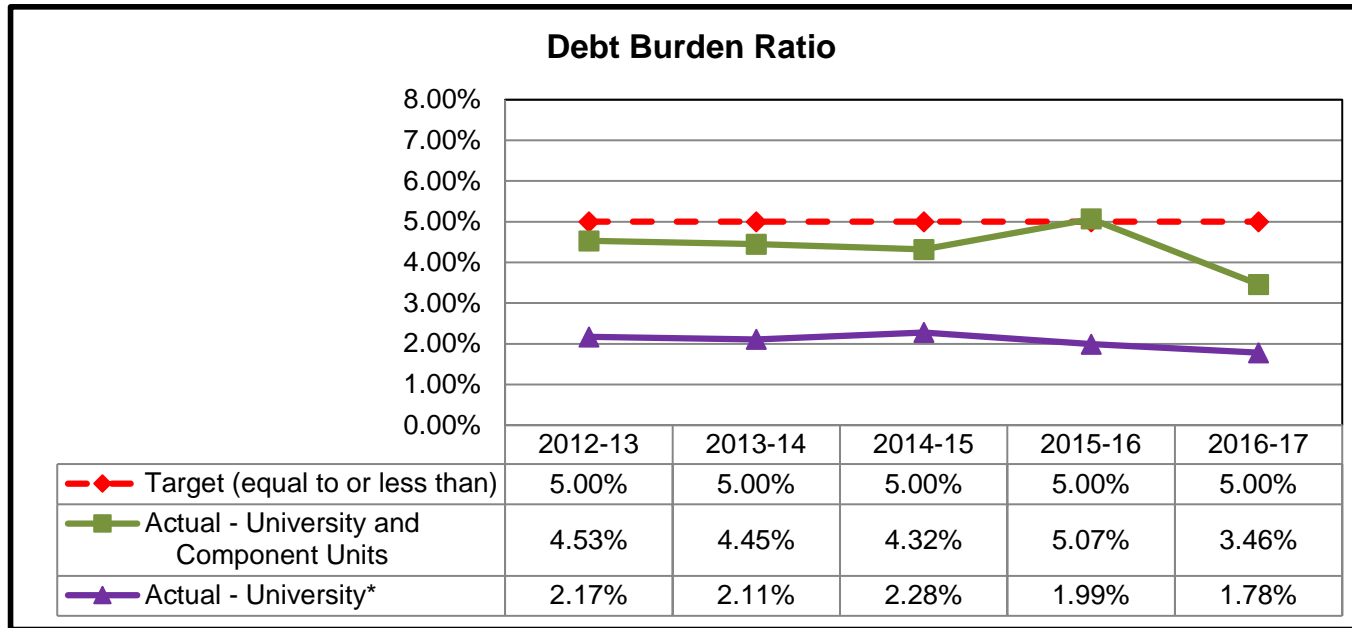
- This ratio measures one of the most basic determinants of clear financial health, the availability of expendable net assets to cover debt should the university and component units need to settle its obligations. A ratio of 0.5 or greater indicates the university and component units have sufficient reserves to satisfy all liabilities, including long-term debt.

This ratio is calculated as follows: $\frac{\text{Expendable Net Assets}}{\text{Long-Term Debt}}$	Viability Ratio (in millions)	University and Component Units					University**				
		2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
	Expendable Net Assets*	405	463	388	342	319	319	351	274	231	193
	Long-term Debt	525	506	496	465	444	217	208	197	187	177

* Excludes expendable net assets restricted for capital.

** Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Debt Burden Ratio – Including GASB 68 impact

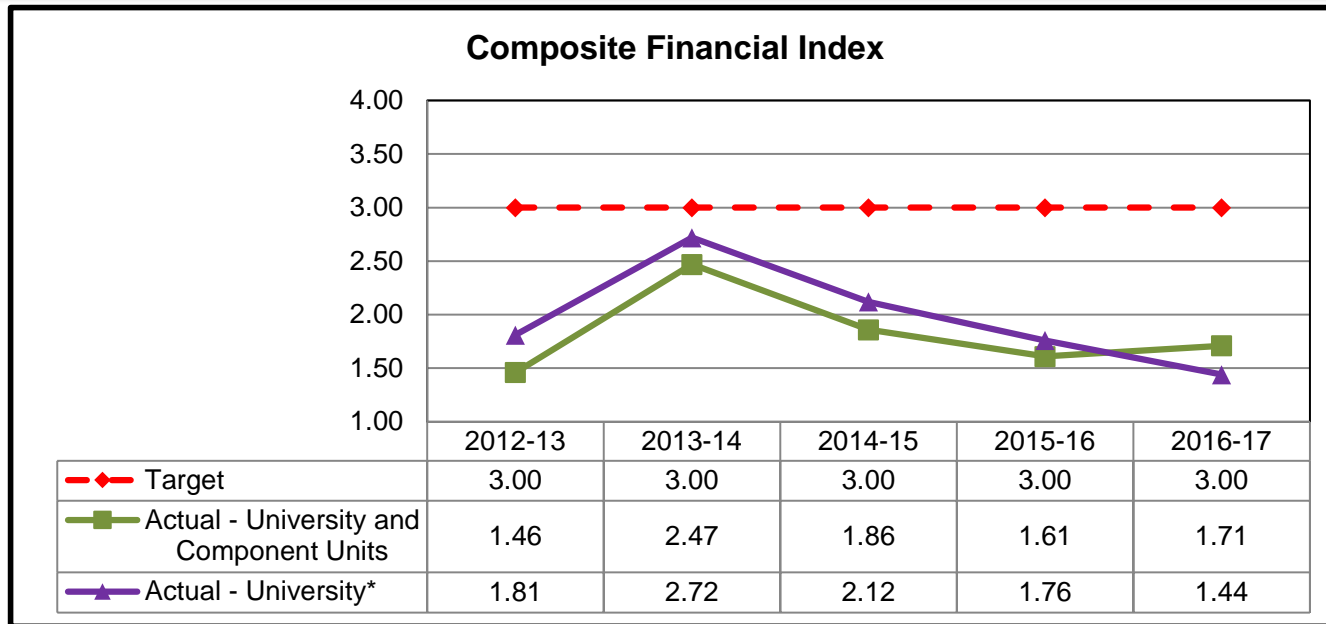


- This ratio measures the percentage of total expenditures the university and component units spent on debt service. Although not a core strategic financial ratio, the Debt Burden Ratio is a key tool in measuring debt affordability and should be considered as a key financial indicator for any institution using debt. A target of 5 percent, which the university and component units have met, indicates an acceptable dependency on borrowed funds.

This ratio is calculated as follows: $\frac{\text{Debt Burden Ratio}}{\text{Debt Service}} = \text{Adjusted Expenses}$	University and Component Units						University*				
	Debt Burden (in millions)	2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
	Debt Burden	40	42	44	55	40	16	17	20	18	18
	Adjusted Expenses	888	946	1,007	1,083	1,157	759	817	879	924	1,007

* Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Composite Financial Index – Including GASB 68 impact



- This index is a composite of the four key ratios. When combined, these four ratios deliver a single measure of the overall financial health of the university. The university has established a target of 3.00.

University and Component Units								University*				
	Relevant Value	Weight	2012-13	2013-14	2014-15	2015-16	2016-17	2012-13	2013-14	2014-15	2015-16	2016-17
Primary Reserve Ratio	0.133	35%	1.14	1.22	0.97	0.81	0.70	1.04	1.06	0.78	0.62	0.48
Net Operating Revenues Ratio	0.013	10%	(0.14)	0.29	0.12	0.06	0.14	(0.21)	0.15	0.08	0.00	(0.04)
Return on Net Assets Ratio	0.02	20%	(0.19)	0.19	0.11	0.13	0.27	(0.26)	0.08	0.09	0.09	0.08
Viability Ratio	0.417	35%	0.65	0.77	0.66	0.62	0.60	1.23	1.42	1.17	1.04	0.91
Composite Financial Index			1.46	2.47	1.86	1.61	1.71	1.81	2.72	2.12	1.76	1.44

- Includes blended-component units (UCF Finance Corporation and UCF College of Medicine Self-insurance Program).

Attachment B

Key Financial Ratios

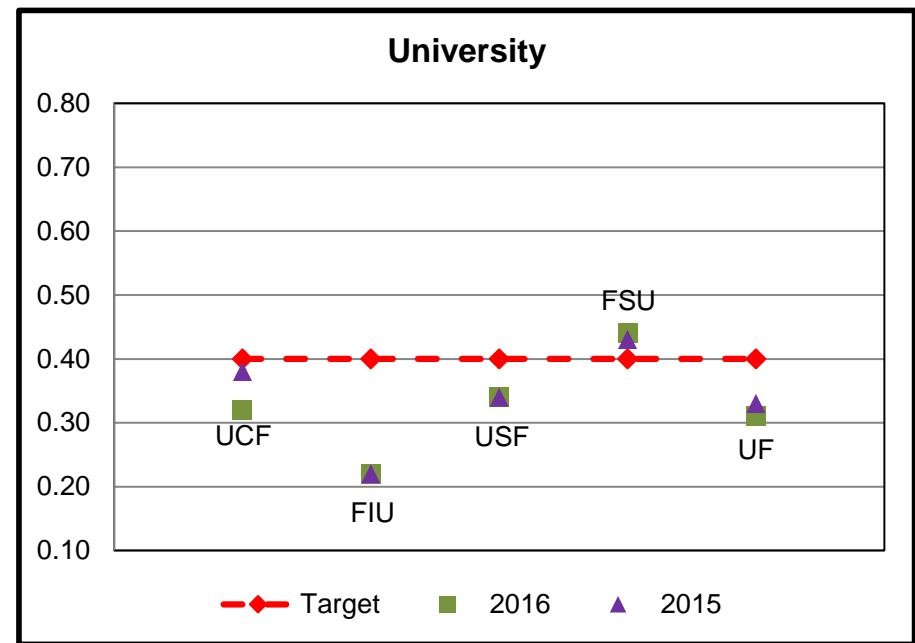
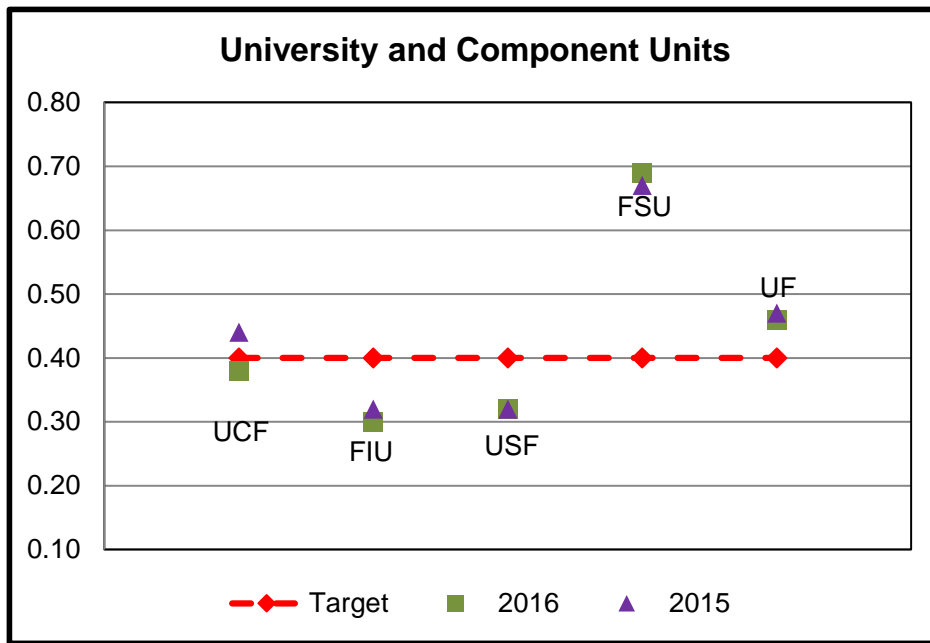
June 30, 2016

UNIVERSITY OF CENTRAL FLORIDA COMPARED TO STATE UNIVERSITY SYSTEM

Key Financial Ratios – Excluding GASB 68 (pension liabilities and related deferrals) impact

Note: Amounts reflected in the following ratios exclude allocated pension liabilities and related deferrals. GASB 68 requires the university to recognize its proportionate share of the collective net pension liabilities of the Florida Retirement System defined benefit plans.

Primary Reserve Ratio – Excluding GASB 68 impact



This ratio is calculated as follows:

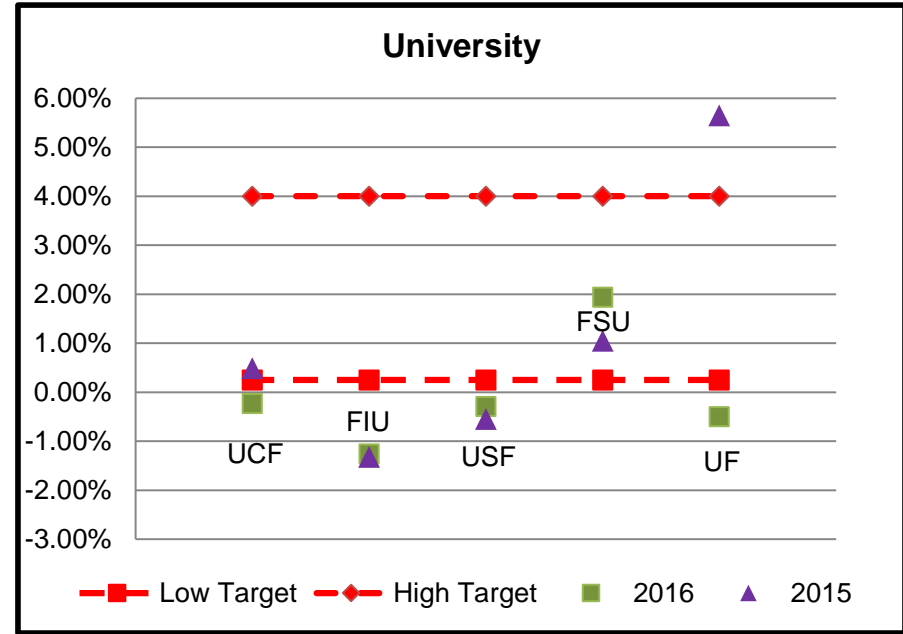
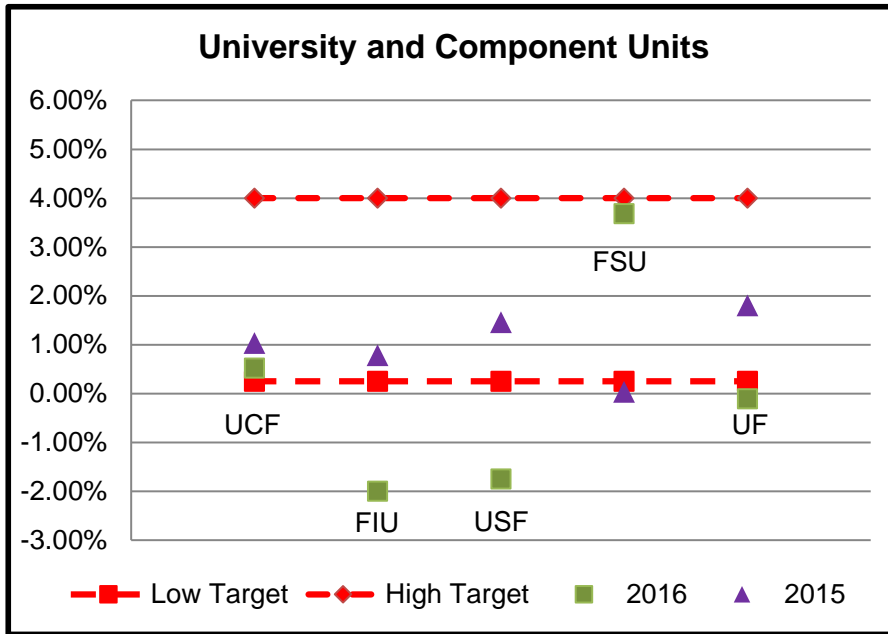
$$\frac{\text{Expendable Net Assets}^*}{\text{Total Expense}}$$

- This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations. A ratio of 40 percent (provides about five months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

	UCF	FIU	USF	FSU	UF	FAU	FAMU	UNF	FGCU	UWF	NCF
2016 University and Component Units	0.38	0.30	0.32	0.69	0.46	0.54	0.17	0.15	0.39	0.42	0.27
2016 University	0.32	0.22	0.34	0.44	0.31	0.33	0.07	0.10	0.20	0.29	0.09

* Excludes expendable net assets restricted for capital.

Net Operating Revenues Ratio – Excluding GASB 68 impact



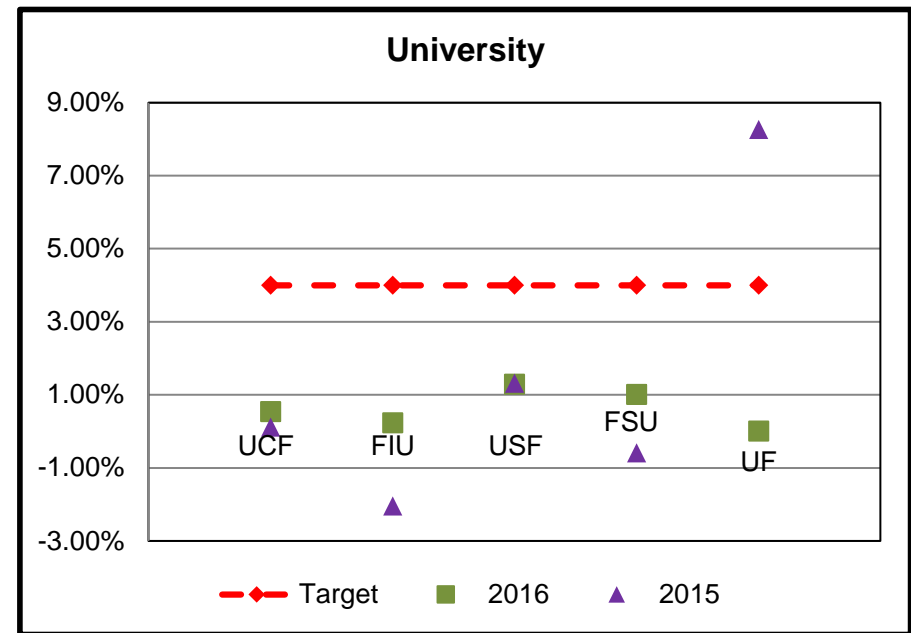
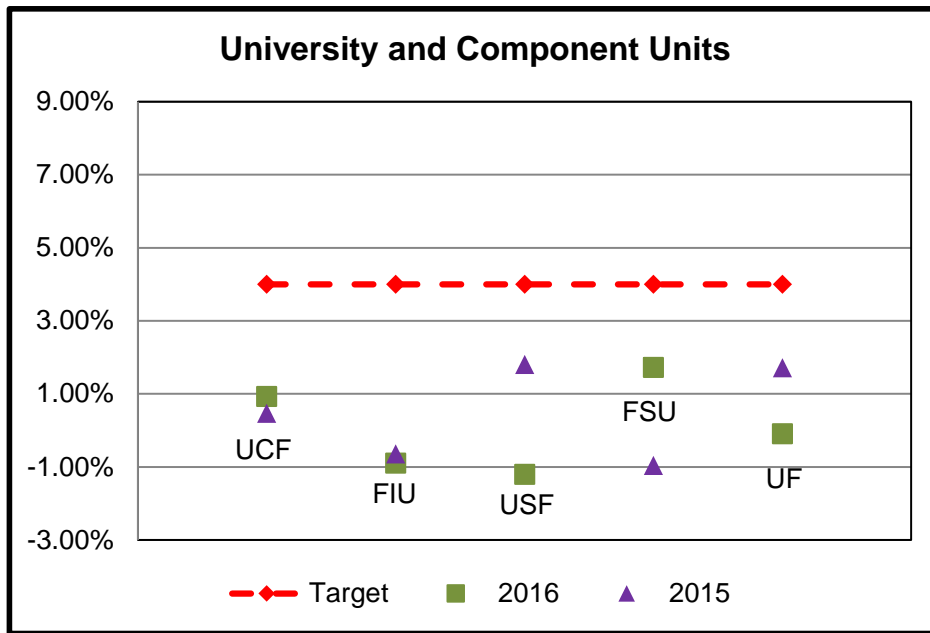
This ratio is calculated as follows:

$$\frac{\text{Operating and Non-Operating Net Income (Loss)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

- A positive ratio indicates that the institution experienced an operating surplus for the year. A target range of .25 percent to 4 percent is a goal, over an extended time period. The result will likely vary from year to year. This ratio does not include capital revenue sources.

	UCF	FIU	USF	FSU	UF	FAU	FAMU	UNF	FGCU	UWF	NCF
2016 University and Component Units	0.52%	-2.00%	-1.75%	3.68%	-0.11%	0.17%	-23.45%	-6.09%	1.88%	-0.49%	-17.06%
2016 University	-0.23%	-1.26%	-0.29%	1.94%	-0.50%	1.45%	-21.04%	-4.55%	1.10%	-0.77%	-13.85%

Return on Net Assets Ratio – Excluding GASB 68 impact



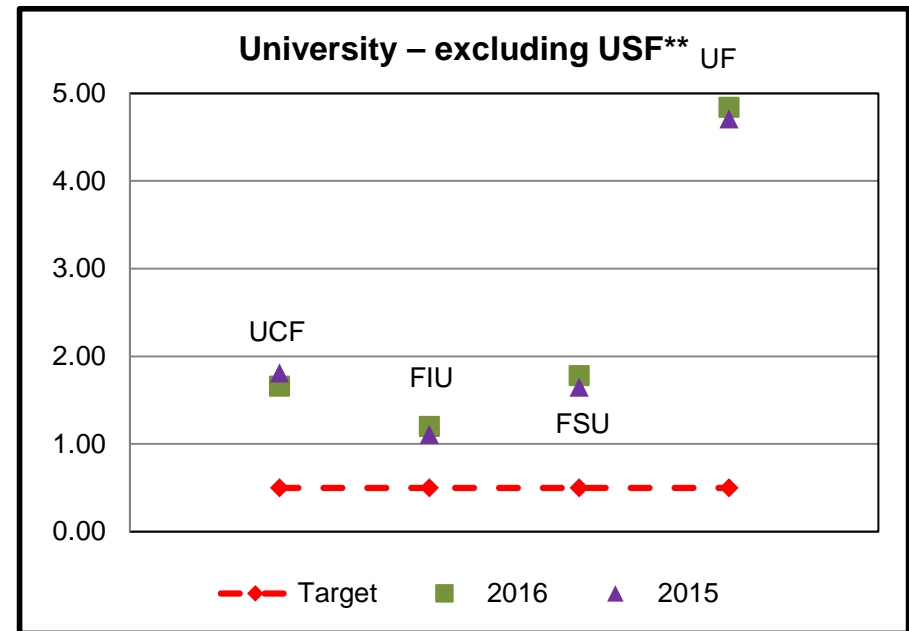
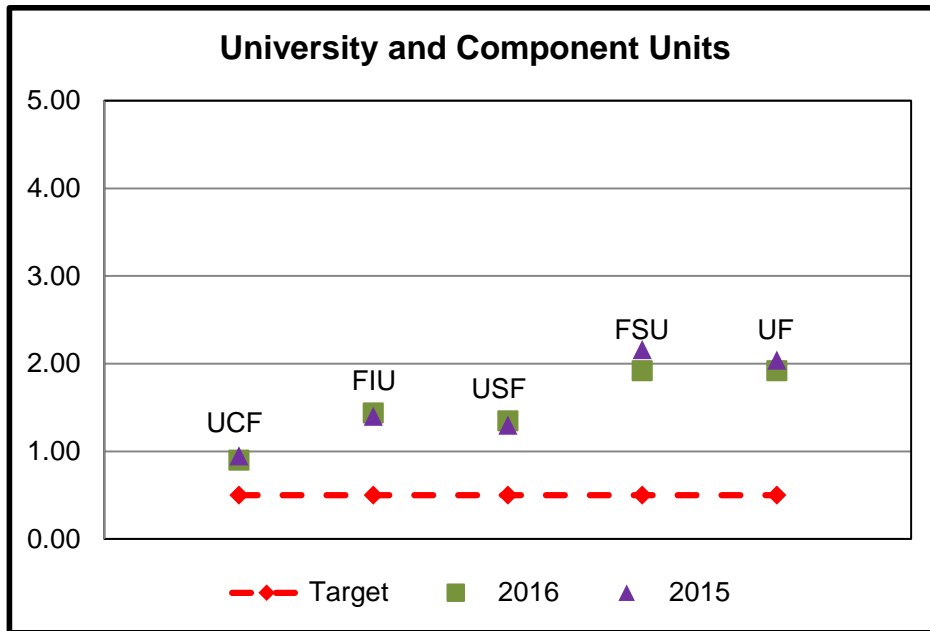
This ratio is calculated as follows:

$$\frac{\text{Change in Net Assets}}{\text{Total Net Assets}}$$

- This ratio measures whether the university has improved financially by measuring total economic return or the return on net assets that occurred as a result of the university's activities. The real rate of return adjusts the nominal rate for the effects of inflation using the Higher Education Price Index. The university has established a target of 4.00 percent.

	UCF	FIU	USF	FSU	UF	FAU	FAMU	UNF	FGCU	UWF	NCF
2016 University and Component Units	0.93%	-0.89%	-1.20%	1.73%	-0.09%	0.53%	-5.03%	-2.89%	1.17%	0.18%	-4.62%
2016 University	0.54%	0.23%	1.29%	1.01%	0.01%	0.79%	-5.40%	-3.32%	0.53%	-1.31%	-4.24%

Viability Ratio – Excluding GASB 68 impact



This ratio is calculated as follows:

$$\frac{\text{Expendable Net Assets}^*}{\text{Long-Term Debt}}$$

- This ratio measures one of the most basic determinants of clear financial health, the availability of expendable net assets to cover debt should the university and component units need to settle its obligations. A ratio of 0.5 or greater indicates the university and component units have sufficient reserves to satisfy all liabilities, including long-term debt.

	UCF	FIU	USF	FSU	UF	FAU	FAMU	UNF	FGCU	UWF	NCF
2016 University and Component Units	0.90	1.44	1.35	1.92	1.92	1.05	0.73	0.25	0.42	2.10	0.44
2016 University	1.66	1.20	20.21	1.78	4.84	2.05	0.27	0.16	0.21	N/A	0.13

* Excludes expendable net assets restricted for capital.

** The University of South Florida's debt structure for university-only presentation is not comparable to other State University System universities.

Computing the Composite Financial Index - *Overview of Methodology*

This methodology is an arithmetic means of combining the four ratios previously displayed as a measure of fundamental elements of financial health to yield a single composite financial index that represents an institution's overall financial health.

Under the methodology, the composite financial index (CFI) is calculated as follows:

- determine the value of each ratio.
- divide each ratio by an industry determined relevant value to calculate a strength factor.
- multiply strength factors by specific weighting factors.
- total the resulting four numbers to reach a single CFI score.

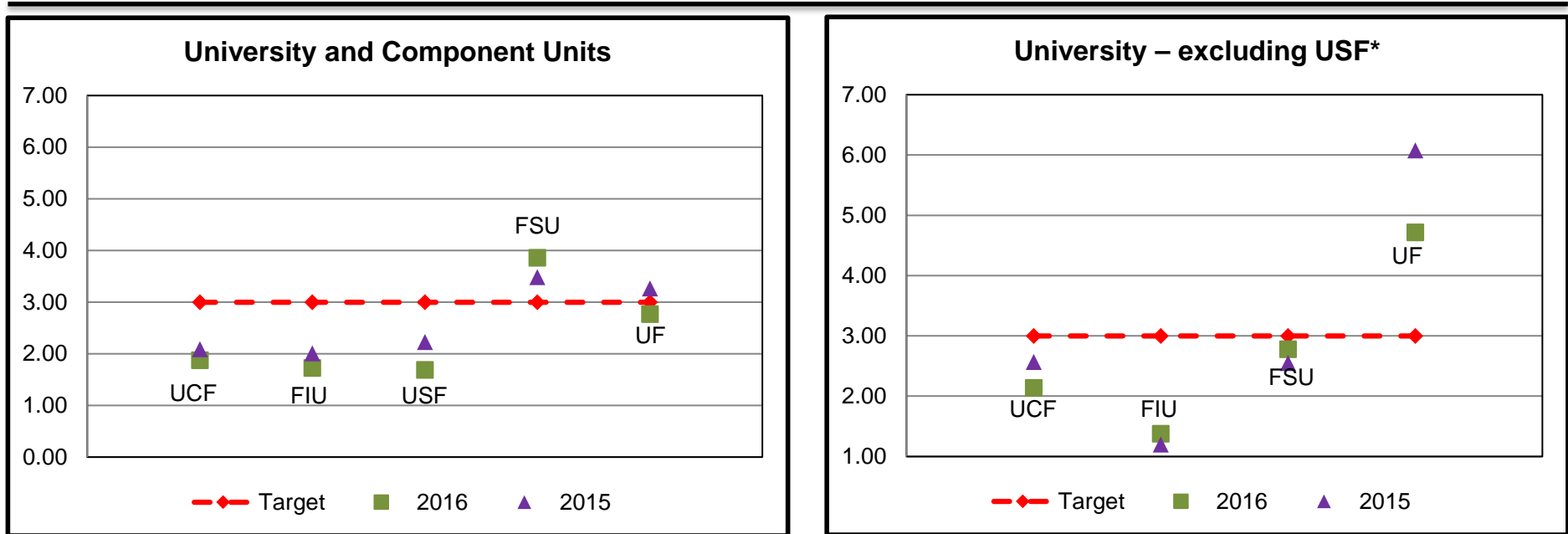
These scores do not have absolute precision but can be indicators of overall institutional well-being when evaluated in conjunction with nonfinancial indicators. However, the ranges do have enough precision to be indicators of the institutional financial health, and the CFI as well as its trend line over a period of time can be the single most important measure of the financial health for the institution.

- $$\text{CFI} = \text{Sum of} \left(\frac{\text{Ratios}}{\text{Relevant Value}} \right) \times \text{Weight}$$

Relevant values and weights assigned were as follows:

	Relevant Value	Weight
Primary Reserve Ratio	0.133	35%
Net Operating Revenues Ratio	0.013	10%
Return on Net Assets Ratio	0.02	20%
Viability Ratio	0.417	35%

Composite Financial Index – Excluding GASB 68 impact



- This index is a composite of the four key ratios. When combined, these four ratios deliver a single measure of the overall financial health of the university. The university has established a target of 3.00.

	UCF	FIU	USF	FSU	UF	FAU	FAMU	UNF	FGCU	UWF	NCF
2016 University and Component Units	1.88	1.73	1.69	3.86	2.77	2.33	-1.28	-0.19	1.60	2.81	-0.73
2016 University	2.14	1.38	17.84	2.78	4.72	2.67	-1.75	-0.40	0.71	N/A	-1.28

* The University of South Florida's debt structure for university-only presentation is not comparable to other State University System universities. Their calculated viability ratio skews the composite financial index total.

ITEM: INFO-4

**University of Central Florida
Board of Trustees
Finance and Facilities Committee**

SUBJECT: University Operating Budget Report Quarter Ended September 30, 2017

DATE: December 13, 2017

For information only.

Supporting documentation: Attachment A: UCF Operating Budget Quarterly Report

Prepared by: Tracy Clark, Associate Provost for Budget, Planning, and
Administration and Associate Vice President for Finance

Submitted by: William F. Merck II, Vice President for Administration and Finance and
Chief Financial Officer

Attachment A

**University of Central Florida
Operating Budget Status**

September 30, 2017

Year-to-Date Activity and Variances

The attached reports include revenues and expenditures for the three months ended September 30, 2017, compared to the operating budget. Student credit hours are 1.0 percent higher than the enrollment plan and 3.5 percent higher than the prior year. Overall, revenues and expenditures as a percent of the operating budget are 34 percent and 27 percent, respectively, and are consistent with prior year. Specific activities and variances in certain budget categories are described below.

Educational & General

Revenues increased \$17.1 million. Tuition and fees increased \$10 million, which is primarily due to growth in enrollment and an increase in out-of-state students. State appropriations increased \$6.9 million, primarily due to increased emerging preeminence funding and other appropriations supporting new faculty, scholarships, and doctoral assistantships.

Expenditures increased by \$10.2 million. Salaries and benefits increased \$7.1 million due to investments in the university faculty hiring plan, annual salary increases, and an additional \$4.5 million in funding transfers for non-need based scholarships. These increases were offset by a decrease of \$1 million in capital purchases.

Medical School

Revenues and expenditures were consistent with prior year.

Auxiliary

Revenues increased by \$2.3 million from various sources, including medical residency programs and market rate programs.

Expenditures increased by \$13.4 million, primarily due to funding transfers for the construction of the downtown campus of \$11.4 million and increases in salaries and benefits for medical residency programs of \$1.9 million.

Sponsored Research

Revenues decreased by \$3.5 million, primarily related to a decrease in federal grants.

University of Central Florida Operating Budget Status

September 30, 2017

Expenditures decreased \$4.4 million, primarily related to the decrease in federal grant funding. Subcontractor research expenses decreased \$3.0 million, and federal grant equipment purchases decreased \$1.2 million.

Student Financial Aid

Revenues increased by \$26.2 million. Institutional funding increased \$13.9 million due to timing differences for funding of National Merit students and increases in non-need based aid. State funding for Bright Futures increased by \$9.5 million. Federal funding for Pell Grants increased \$1.9 million.

Expenditures increased \$15.1 million. State, institutional, and federal-funded awards increased by \$9.5 million, \$4.0 million, and \$1.4 million, respectively. Differences between revenues and expenditures by category are primarily related to timing differences between receipt and disbursement of funds.

Student Activities

Revenues were consistent with prior year. Expenses decreased \$0.9 million, primarily due to a repayment of a short-term advance from auxiliary general operations in the prior year.

Concessions

Revenues decreased due to the timing of receipt of commission and sponsorship revenue from Coca-Cola. Expenses increased by \$0.2 million to support the construction of academic buildings.

Technology Fee

Technology fee revenues were consistent with the prior year. Technology fee expenditure variances are due to timing differences in the progress of the various projects. Approximately 44 percent of 2016-17 and 94 percent of the prior years' awarded funds have been spent or transferred to Computer Services and Telecommunications for projects completed or in progress.

University of Central Florida

Operating Budget Report

as of September 30, 2017 (25% of year)

2017-18

	Revenue	Expenditures	Expenditure Budget	% of Budget Spent	Revenue as % of Budget	Revenue less Expenditures	Fund Balance (as of July 1)
Educational & General	\$ 253,961,932	\$ 159,124,001	\$ 804,577,029	19.8%	31.6%	\$ 94,837,931	\$ 171,372,145
Medical School	10,583,900	9,638,565	54,950,633	17.5%	19.3%	945,335	16,551,914
Auxiliary Enterprises	69,711,966	60,943,997	275,887,508	22.1%	25.3%	8,767,969	152,958,754
Sponsored Research	34,461,202	34,769,816	163,703,000	21.2%	21.1%	(308,615)	14,105,576
Student Financial Aid	244,672,130	221,737,444	515,975,644	43.0%	47.4%	22,934,686	31,352,047
Student Activities	8,875,818	4,178,161	28,217,277	14.8%	31.5%	4,697,657	9,930,928
Concessions	23,532	333,275	750,000	44.4%	3.1%	(309,742)	1,228,548
Technology Fee	4,037,599	2,393,355	9,100,000	26.3%	44.4%	1,644,245	9,471,663
	<u>\$ 626,328,080</u>	<u>\$ 493,118,613</u>	<u>\$ 1,853,161,091</u>	<u>26.6%</u>	<u>33.8%</u>	<u>\$ 133,209,466</u>	<u>\$ 406,971,575</u>

2016-17

	Revenue	Expenditures	Expenditure Budget	% of Budget Spent	Revenue as % of Budget	Revenue less Expenditures	Fund Balance (as of July 1)
Educational & General	\$ 236,827,471	\$ 148,877,201	\$756,283,641	19.7%	31.3%	\$ 87,950,271	\$ 156,615,927
Medical School	10,382,936	9,819,230	58,779,194	16.7%	17.7%	563,706	20,959,005
Auxiliary Enterprises	67,367,171	47,521,444	251,990,997	18.9%	26.7%	19,845,727	167,003,290
Sponsored Research	37,946,050	39,209,688	160,694,000	24.4%	23.6%	(1,263,638)	23,155,510
Student Financial Aid	218,496,633	206,657,629	513,219,163	40.3%	42.6%	11,839,003	28,184,468
Student Activities	8,678,234	5,170,949	23,750,000	21.8%	36.5%	3,507,285	9,832,332
Concessions	406,241	73,567	750,000	9.8%	54.2%	332,673	1,369,302
Technology Fee	3,986,454	2,223,689	9,100,000	24.4%	43.8%	1,762,765	8,648,574
	<u>\$ 584,091,190</u>	<u>\$ 459,553,398</u>	<u>\$ 1,774,566,995</u>	<u>25.9%</u>	<u>32.9%</u>	<u>\$ 124,537,791</u>	<u>\$ 415,768,408</u>

University of Central Florida

Operating Expenditure Report

as of September 30, 2017 (25% of year)

2017-18

	Expenditures - Amount					Expenditures - Percent of Total				
	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total
Educational & General	\$ 89,817,656	\$ 68,390,610	\$ 915,735	\$ -	\$ 159,124,001	56.4%	43.0%	0.6%	-	100.0%
Medical School	7,585,488	1,722,106	275,174	55,798	9,638,565	78.7%	17.9%	2.9%	0.6%	100.0%
Auxiliary Enterprises	17,698,593	35,991,033	394,633	6,859,738	60,943,997	29.0%	59.1%	0.6%	11.3%	100.0%
Sponsored Research	16,146,232	18,251,554	372,031	-	34,769,816	46.4%	52.5%	1.1%	-	100.0%
Student Financial Aid	1,061,237	220,671,125	5,082	-	221,737,444	0.5%	99.5%	0.0%	-	100.0%
Student Activities	2,290,202	1,887,960	-	-	4,178,161	54.8%	45.2%	-	-	100.0%
Concessions	412	332,863	-	-	333,275	0.1%	99.9%	-	-	100.0%
Technology Fee	169,291	1,984,348	239,716	-	2,393,355	7.1%	82.9%	10.0%	-	100.0%
	<u>\$ 134,769,110</u>	<u>\$ 349,231,598</u>	<u>\$ 2,202,370</u>	<u>\$ 6,915,536</u>	<u>\$ 493,118,613</u>	<u>27.3%</u>	<u>70.8%</u>	<u>0.4%</u>	<u>1.4%</u>	<u>100.0%</u>

2016-17

	Expenditures - Amount					Expenditures - Percent of Total				
	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total	Salaries and Benefits	Expenses	Capital Purchases	Debt Service	Total
Educational & General	\$ 82,670,869	\$ 64,335,038	\$ 1,871,294	\$ -	\$ 148,877,201	55.5%	43.2%	1.3%	-	100.0%
Medical School	7,080,226	1,802,846	936,159	-	9,819,230	72.1%	18.4%	9.5%	-	100.0%
Auxiliary Enterprises	15,767,890	24,685,705	320,761	6,747,088	47,521,444	33.2%	51.9%	0.7%	14.2%	100.0%
Sponsored Research	16,657,561	21,000,285	1,551,843	-	39,209,688	42.5%	53.6%	4.0%	-	100.0%
Student Financial Aid	869,303	205,788,327	-	-	206,657,629	0.4%	99.6%	-	-	100.0%
Student Activities	2,357,636	2,813,313	-	-	5,170,949	45.6%	54.4%	-	-	100.0%
Concessions	1,329	72,238	-	-	73,567	1.8%	98.2%	-	-	100.0%
Technology Fee	29	1,908,482	315,179	-	2,223,689	0.0%	85.8%	14.2%	-	100.0%
	<u>\$ 125,404,842</u>	<u>\$ 322,406,233</u>	<u>\$ 4,995,235</u>	<u>\$ 6,747,088</u>	<u>\$ 459,553,399</u>	<u>27.3%</u>	<u>70.2%</u>	<u>1.1%</u>	<u>1.5%</u>	<u>100.0%</u>

University of Central Florida

Operating Budget Report

as of September 30, 2017 (25% of year)

Statistical Information

Student Credit Hours ¹

Actual Compared to UCF Plan

Summer
Fall
Spring

2017-18			
Actual	Plan	Difference	% Variance
254,450	253,151	1,299	0.5%
712,466	704,555	7,911	1.1%
-	-	-	0.0%
966,916	957,706	9,210	1.0%

2016-17			
Actual	Plan	Difference	% Variance
244,369	239,222	5,147	2.2%
690,075	685,040	5,035	0.7%
-	-	-	0.0%
934,444	924,262	10,182	1.1%

Current Year Compared to Prior Year

Summer
Fall
Spring

2017-18	2016-17	Difference	% Variance
254,450	244,369	10,081	4.1%
712,466	690,075	22,391	3.2%
-	-	-	0.0%
966,916	934,444	32,472	3.5%

2016-17	2015-16	Difference	% Variance
244,369	233,465	10,904	4.7%
690,075	673,558	16,517	2.5%
-	-	-	0.0%
934,444	907,023	27,421	3.0%

Additional Statistical Information

Student headcount - Fall 2017² and 2016Percent in-state students - Fall 2017² and 2016

Foundation endowment - June 30, 2017, and 2016

Foundation assets - June 30, 2017, and 2016

On-campus housing, including Greek housing³Rosen Campus housing³Affiliated housing³Managed housing³Gross square footage - Orlando Campus³Acreage - Orlando Campus³

	2017-18	2016-17	Difference	% Variance
Student headcount - Fall 2017 ² and 2016	66,637	64,335	2,302	3.6%
Percent in-state students - Fall 2017 ² and 2016	90.8%	92.5%	-1.6%	
Foundation endowment - June 30, 2017, and 2016	\$155,232,331	\$144,921,082	\$ 10,311,249	7.1%
Foundation assets - June 30, 2017, and 2016	\$320,594,257	\$301,206,225	\$ 19,388,032	6.4%
On-campus housing, including Greek housing ³	6,907			
Rosen Campus housing ³	384			
Affiliated housing ³	3,756			
Managed housing ³	594			
Gross square footage - Orlando Campus ³	9,191,366			
Acreage - Orlando Campus ³	1,415			

¹ Medical students are not included in student credit hours.

² Fall 2017 data is preliminary.

³ As of Fall 2017.

University of Central Florida Operating Budget Status

September 30, 2017

Budgets

Educational & General. The Educational & General budget includes expenditures for instructional activities and related administrative support. This budget is funded by general revenue, Educational Enhancement funds, and student fees. E&G student fees include tuition and out-of-state fees.

Auxiliary Enterprises. Auxiliary enterprises include those activities that are not instructional in nature but support the operation of the university. The primary auxiliary areas include Housing, Student Health Services, Parking Services, Computer Store, Telecommunications, Continuing Education, Dining Services, and the Bookstore. The auxiliaries must generate adequate revenue to cover expenditures and allow for future renovations and building or equipment replacement, if applicable. Several of the auxiliaries are partially or wholly funded by student fees, including Student Health Services, Parking Services, and Material and Supply Fees.

Sponsored Research. Sponsored research includes research activities that are funded by federal, state, local, and private funds.

Student Financial Aid. The student financial aid budget largely represents scholarship and loan funds that are received by the university and subsequently disbursed to students. Large disbursements of these funds occur at the beginning of the Fall and Spring semesters. The expenditures in this budget will, therefore, not coincide with the months remaining in the year.

Student Activities. The student activities budget is funded by the Activity and Service Fee paid by the students and includes expenditures for student government and student clubs and organizations. This budget also includes all expenditures for the Student Union and the Recreation and Wellness Center. Expenditures for these entities are funded by the Activity and Service Fee and by revenue generated through functions in the facilities.

Concessions. The concessions budget is funded from vending commissions and related sponsorship revenue. These funds are used for events and other expenditures that support the university.

Technology Fee. The technology fee was established in January 2009 as allowed by Florida Statute 1009.24. The university began charging 5 percent of the tuition per credit hour beginning in the Fall term of the 2009-10 academic year. A committee and guidelines for the allocation and use of the technology resources were established. The revenue from this fee will be used to enhance instructional technology resources for students and faculty.

University of Central Florida Operating Budget Status

September 30, 2017

Expenditure Categories

Salaries and Benefits. Salaries and benefits include salary payments, along with employer benefit costs, including FICA, health insurance, life insurance, disability insurance, and pre-tax benefits. Benefits are approximately 30 percent of salaries for permanent employees.

Expenses. Expenses include office supplies, repairs, maintenance costs, contract services, and all other items not included as salaries, capital purchases, or debt service.

Capital Purchases. Capital purchases include personal property with a value of \$5,000 or more and library resources with a value of \$250 or more, and an expected life of one year or more.

Debt Service. Debt service includes principal and interest payments on bonds and other loans within the university.

ITEM: INFO-5

**University of Central Florida
Board of Trustees
Finance and Facilities Committee**

SUBJECT: UCF Investments Quarterly Report Ended September 30, 2017

DATE: December 13, 2017

For information only.

Supporting documentation: Attachment A: UCF Investments Quarterly Report

Prepared by: Tracy Clark, Associate Provost for Budget, Planning, and
Administration and Associate Vice President for Finance

Submitted by: William F. Merck II, Vice President for Administration and Finance and
Chief Financial Officer

Cash & Non-Investment Portfolio	3/31/2017 Reported Value	6/30/2017 Reported Value	9/30/2017 Reported Value
Bank of America	\$1,642,400	\$10,511,701	\$2,038,116
Valley National Bank - Money Market (formerly CNL)	\$5,026	\$0	\$0
SPIA	\$334,727,330	\$297,205,654	\$388,089,280
Total Cash & Non-Investment Portfolio	\$336,374,756	\$307,717,355	\$390,127,396

Structured Investment Portfolio (BNY)	3/31/2017 Reported Value	6/30/2017 Reported Value	2nd Quarter Gain/(Loss)	9/30/2017 Reported Value	3rd Quarter Gain/(Loss)	Inception Gain/(Loss) ⁽²⁾
Pool I	\$0	\$0	\$0	\$0	\$0	\$85,786
Pool II	\$50,569,193	\$50,702,759	\$159,628	\$50,860,090	\$173,571	\$1,084,696
Fixed Income (Pool III) ⁽³⁾	\$103,998,106	\$104,585,595	\$639,158	\$105,058,335	\$501,793	\$12,859,638
Domestic Equity (Pool III)	\$23,853,165	\$24,588,271	\$735,106	\$25,688,825	\$1,100,554	\$15,791,062
Total Pool III	\$127,851,271	\$129,173,867	\$1,374,264	\$130,747,160	\$1,602,347	\$28,650,700
Fixed Income (Pool IV) ⁽⁴⁾	\$28,573,329	\$29,003,334	\$454,132	\$29,297,809	\$305,207	\$6,681,233
Domestic Equity (Pool IV)	\$42,837,823	\$44,157,998	\$1,320,175	\$46,134,479	\$1,976,481	\$31,112,284
International Equity (Pool IV)	\$12,439,266	\$13,392,332	\$953,065	\$14,309,721	\$917,389	\$4,650,024
Total Pool IV	\$83,850,418	\$86,553,664	\$2,727,372	\$89,742,009	\$3,199,077	\$42,443,541
Total Structured Investment Portfolio	\$262,270,881	\$266,430,290	\$4,261,264	\$271,349,258	\$4,974,995	\$72,264,725

Total Operating Portfolio	\$598,645,638	\$574,147,645	\$661,476,654	Total Equity Allocation	13.02%
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1. The portfolio gain/(loss) data is presented gross of management fees and portfolio expenses but net of physical cash flows.

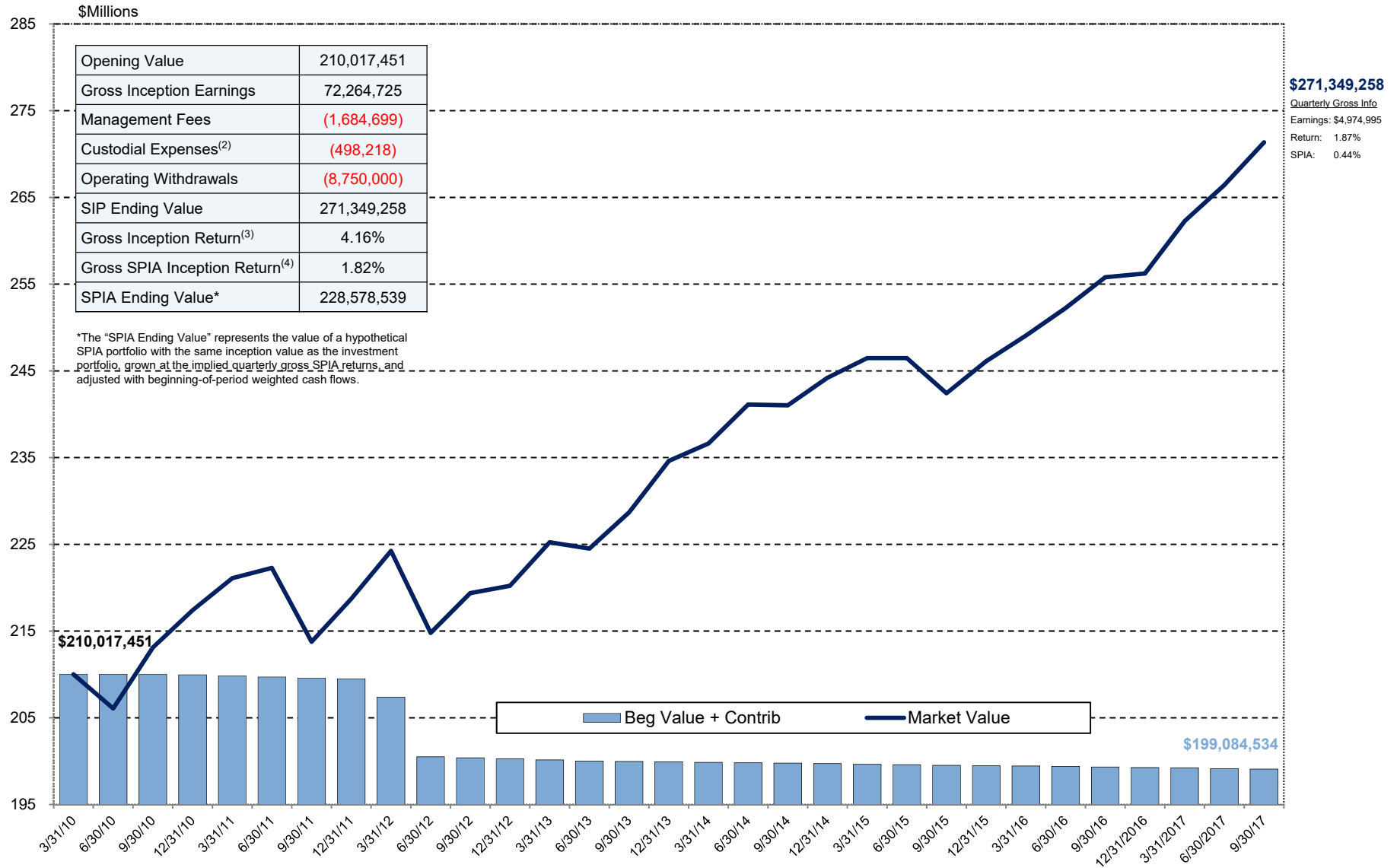
2. The inception date for analysis is 3/31/10. The actual funding of the various portfolios occurred during March 2010.

3. Pool III's fixed Income market value includes the \$9,461 cash balance held in the Pool III mutual fund account.

4. Pool IV's fixed Income market value includes the \$29,723 cash balance held in the Pool IV mutual fund account.



University of Central Florida
Structured Investment Portfolio vs. Net Contributions⁽¹⁾
 As of September 30, 2017



1. Net contributions include cash flows associated with management fees, portfolio expenses and physical cash flows
2. Custodial expense figure is reduced by commission recapture income received
3. Annualized performance number. Net of management fees inception earnings = \$70,580,025. Net inception return = 4.06%
4. The gross SPIA inception return corresponds with the 3/31/10 inception of UCF's investment portfolio. Net inception SPIA return = 1.70%



University of Central Florida
Structured Investment Portfolio Investment Policy Compliance Checklist⁽¹⁾
As of September 30, 2017

Pool I:	Yes	No	N/A
Investments limited to registered 2a-7 mutual funds, CDARS, and or/SPIA.			✓
Pool II:	Yes	No	N/A
All fixed income investments shall maintain a minimum rating of "A-" or higher by a major credit rating service.	✓		
The weighted average quality of the fixed income portfolio shall maintain a rating of "AA+" or higher.	✓		
Duration of the fixed income portfolio shall not exceed the effective duration of the Merrill Lynch 1-Year Treasury index by 25%.	✓		
The maximum average effective maturity of any single security shall not exceed 3 years.	✓		
Operating Pool II shall maintain a dollar-weighted average effective maturity of 1 years or less.	✓		
Pool III Equity:	Yes	No	N/A
Investments in equity securities shall not exceed twenty percent (20%) of the market value of Operating Pool III's assets.	✓		
Pool III Fixed:	Yes	No	N/A
All fixed income investments shall maintain a minimum rating of "A-" or higher by a major credit rating service.	✓		
The weighted average quality of the fixed income portfolio shall maintain a rating of "AA-" or higher.	✓		
The duration of the fixed income portfolio shall not exceed the effective duration of the benchmark by 50%.	✓		
Operating Pool III shall maintain a dollar-weighted average effective maturity of 7 years or less.	✓		
Pool IV Equity:	Yes	No	N/A
Investment in equity securities shall not exceed seventy-five percent (75%) of the market value of Operating Pool IV's assets.	✓		
Foreign securities shall not exceed twenty-percent (20%) of the market value of Operating Pool IV's assets.	✓		
Pool IV Fixed:	Yes	No	N/A
All fixed income investments shall maintain a minimum rating of "investment grade" or higher by a major credit rating service.	✓		
The weighted average quality of the fixed income portfolio shall maintain a rating of "A-" or higher.	✓		
Duration of the fixed income portfolio shall not exceed the effective duration of the benchmark by 50%.	✓		

1. Taken as an excerpt from the UCF quarterly performance evaluation report. Individual managers are also measured on an ongoing basis against a combination of 15 quantitative and qualitative criteria.

Target Policy Summary	
Pool I	100% 90 Day US T-Bills
Pool II	75% ML 1-Year Treasury + 25% 90 Day US T-bills
Pool III	85% ML 1-5 Year G/C A or Better + 15% S&P 500
Pool IV	35% Barclays Agg + 50% S&P 500 + 15% MSCI-ACWxUS

Pool I	\$0	Current Allocation
Cash & Equivalents	\$0	100.0%
Fidelity Money Market	\$0	

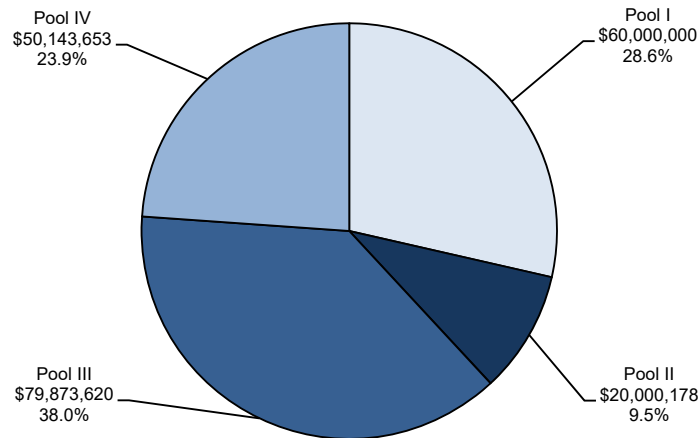
Pool II	\$50,860,090	Current Allocation
Short-Term Fixed Income	\$50,860,090	100.0%
Galliard Capital Management	\$50,860,090	

Pool III	\$130,747,160	Current Allocation
Intermediate Fixed Income (85%)	\$105,058,335	80.4%
Galliard Capital Management ⁽¹⁾	\$56,756,377	
Sawgrass Asset Management	\$48,301,958	
Domestic Equity (15%)	\$25,688,825	19.6%
Vanguard Institutional Index	\$25,688,825	

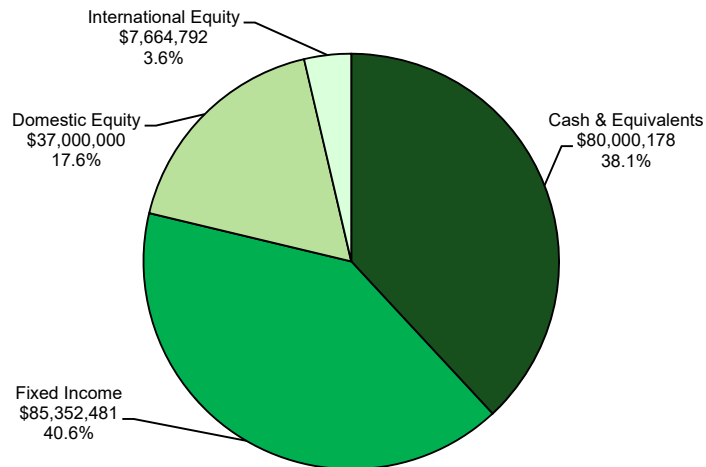
Pool IV	\$89,742,009	Current Allocation
Broad Market Fixed Income (35%)	\$29,297,809	32.6%
Galliard Capital Management ⁽²⁾	\$19,225,803	
Dodge & Cox Income	\$10,072,007	
Domestic Equity (50%)	\$46,134,479	51.4%
Vanguard Institutional Index	\$46,134,479	
International Equity (15%)	\$14,309,721	15.9%
Europacific Growth	\$14,309,721	

1. Pool III's Galliard Asset Management's market value includes the \$9,460.66 cash balance held in the Pool III mutual fund account.
2. Pool IV's Galliard market value includes the \$29,723.22 cash balance held in the Pool IV mutual fund account.

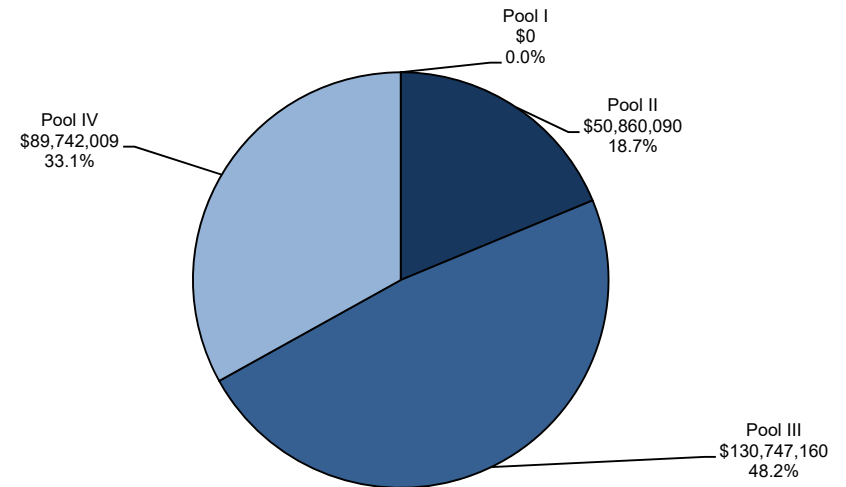
**3/31/2010: \$210,017,451
Pool Allocation**



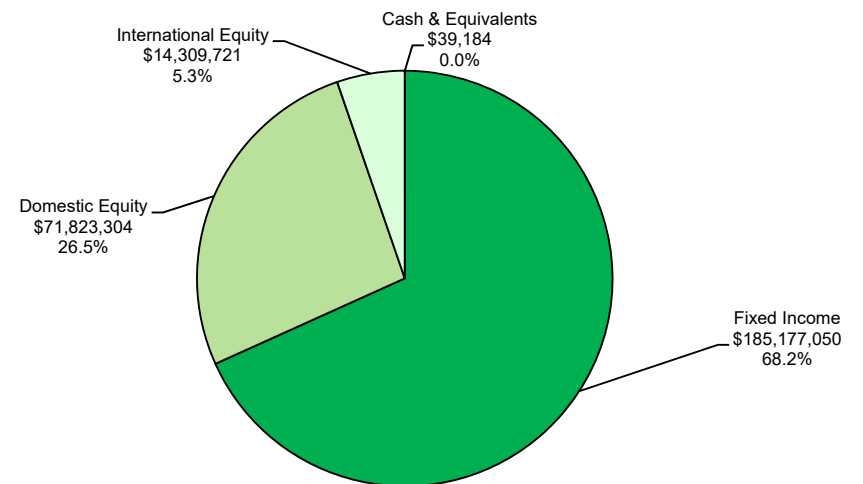
Asset Allocation



**9/30/2017: \$271,349,258
Pool Allocation**



Asset Allocation



ITEM: INFO-6

**University of Central Florida
Board of Trustees
Finance and Facilities Committee**

SUBJECT: UCF Facilities Planning and Construction Departmental Assessment
Follow-up

DATE: December 13, 2017

For information only.

Supporting documentation: Attachment A: UCF Facilities Planning and Construction
Departmental Assessment Executive
Summary
Attachment B: UCF Facilities Planning and Construction
Departmental Assessment Presentation

Prepared by: Rhonda Bishop, Chief Compliance and Ethics Officer

Submitted by: William F. Merck II, Vice President for Administration and Finance and
Chief Financial Officer

EXECUTIVE SUMMARY

1. SCOPE OF THE ENGAGEMENT

1.1 Initial Assessment

As documented in its report issued in December 2016, Hill International, Inc. (now operating as HKA) conducted an initial assessment of the FP&C Department with objective of:

- Identifying gaps / risks between the FP&C Department's "as-is" state with leading industry practices, Hill's lessons learned from similar engagements, and identified peer institutions;
- Developing organizational and process improvement recommendations;
- Prioritizing improvement recommendations based on the resources required to implement the recommendation and the beneficial impact of the recommendation; and
- Developing a high-level plan to implement the improvement recommendations.

1.2 Follow-up Assessment

In September 2017, HKA conducted a follow-up assessment of the FP&C Department to:

- Determine the extent to which the recommendations have been implemented.
- Identify, for any recommendations that remain open, any obstacles or barriers that have thus far prevented their implementation.

2. FINDINGS

2.1 Fully Implemented Recommendations

The FP&C Department has made significant progress towards fully implementing several recommendations that are directly within its control. This includes the following:

1. **Development and rollout of a Project Manager's Manual.** This Manual provides phase-by-phase guidance and process workflows that clarify the roles and responsibilities of the FP&C Project Managers (PMs) and how and when they are to interface with partner departments and other stakeholders. Implementation of this Manual will help address multiple recommendations identified in the original assessment report, including:
 - Formalizing the delivery method selection decision
 - Ensuring objective evaluation of proposals
 - Developing a detailed process for contract closeout and transition to operations
 - Developing guidance to address project development and change management
 - Defining project communication and document management requirements
2. **Capturing Lessons Learned.** Lessons learned are discussed at weekly FP&C Department meetings and are documented on a spreadsheet.

3. **Empowerment of the Director of Quality position and the Quality Management and Improvement (QMI) group.** Although external to the FP&C Department, empowerment of the QMI group appears to be providing an excellent layer of programmatic oversight to help the FP&C Department with identifying and analyzing lessons learned and trend data. QMI's participation during a project's design and construction phase also provides PMs with a resource to help trouble-shoot and resolve issues early-on, before they escalate into major problems.

2.2 In-Progress Recommendations

The FP&C Department has procured third-party project management software (e-Builder Enterprise), which, once implemented, should satisfy several of the remaining recommendations identified in the original report, including:

1. **Development of enhanced progress monitoring and reporting capabilities.** The e-Builder software solution will provide dashboards and reporting tools capable of providing excellent insight into programmatic and project-level performance.
2. **Capture and use of historical cost and schedule data.** The software solution should facilitate the development of a historical database of project cost and schedule information, which the PMs can then use to:
 - Develop better budget estimates and milestone schedules for future projects,
 - Assist with evaluating the reasonableness of contractor-developed estimates, schedules, and change order requests, and
 - Help manage the expectations of campus clients regarding likely project costs and durations.
3. **Refinement of the GC Quotes process.** The planned implementation of e-Builder's electronic bidding module should streamline the GC Quotes process and eliminate previous issues cited by some PMs regarding the lack of clarity on what was needed to develop an acceptable and complete project scope for use by the GC Quotes process.

Although the PM software initiative remains in the early stages of implementation, a review of the e-Builder proposal and task order, coupled with the advance work done by the FP&C Department in developing the PM Manual and related workflows, suggests that the necessary planning and forethought has been given to the development and rollout of the software to help ensure the implementation is successful.

2.3 Recommendations Requiring External Action

Progress towards implementing recommendations that require external action (i.e., outside the control of the Facilities and Safety Division) has thus far been rather limited.

1. **Improve PM workload situation.** Due to the recent completion of a large backlog of projects, the volume of active projects per PM has dropped from more than 30 per PM (at the time of the initial assessment) to approximately 15-20 per PM currently (excluding Tech Fee projects). Although the current project workload is more manageable, it still represents a higher volume of projects per PM than seen at comparable universities. The FP&C Department has taken some steps towards improving the PM workload situation, including:
 - Adding two assistant PMs to manage smaller projects and assist PMs with some of the documentation responsibilities on larger, more complex projects;
 - Creating a Preconstruction Manager position, which once filled, should help relieve the PMs of some of the responsibility to scope and estimate projects (thus allowing PMs to focus on their core project management responsibilities of monitoring and controlling the work).

- Creating a construction group within Facilities Operations (FO) to self-perform small projects (however, it remains to be seen if UCF can offer a competitive package to attract and retain the trades needed to make the FO construction group successful.)

Despite such actions, the workload situation will continue to threaten the ability of PMs to effectively scope, prioritize, manage, and monitor projects.

Funding remains the key impediment to adequately staffing the FP&C group.

2. **Enhanced process for planning and programming minor projects.** A key gap cited in the original assessment report related to the lack of a robust upstream filtering process for minor projects that has led to an unsustainable number of minor projects (based on current staff resources) being advanced to the development and execution stages. Consistent, top-down messaging emanating from the Offices of the President and the Provost is likely needed to compel Deans and Department heads to support the implementation of a more disciplined and holistic approach to programming projects of all sizes (including minor projects).

3. RECOMMENDED ACTION ITEMS FOR THE BOARD OF TRUSTEES

1. **Oversight.** Based on the recent progress made by the FP&C Department in defining and standardizing key processes, the PMs (particularly once the e-Builder software solution has been fully implemented) will soon have the tools needed to effectively manage and monitor projects in keeping with leading industry practices. Nevertheless, consistent oversight is still needed to ensure these processes and tools are being used as intended. To that end, the Board should consider the following:
 - a. The e-Builder software solution will provide access to powerful dashboard and reporting capabilities that provide improved visibility into the performance of individual projects or portfolios. By consistently requesting such program and project-level updates on key performance indicators (KPIs), the Board can help assure that any adverse trends get the attention needed. (Possible KPIs to monitor include: cost variance, schedule variance, % contingency remaining, etc.)
 - b. Once the PMs have had sufficient time to grow accustomed to the use of any new processes and tools (e.g., 6 to 9 months following the rollout of e-Builder), the Board should request an internal or external performance audit to verify that the processes and tools are being used effectively and consistently.
2. **Culture Change.** Culture change regarding the initiation and prioritization of minor projects has been slow and is unlikely to take place without the active support of senior leadership and the Board. To help affect this change, the Board can raise the visibility of minor projects by requesting regular reporting on the minor project portfolio as a whole.

Attachment B

University of Central Florida

Facilities Planning and Construction Department
Assessment of Progress Made in Implementing Audit Recommendations



1. Introduction

Scope of Engagement

- Initial Assessment
- Follow-up Assessment

Approach to Follow-up Assessment



Scope of Engagement

Initial assessment

- Hill International (now operating as HKA) conducted an organizational assessment of the FP&C Department to:
 - Identify gaps / risks between the FP&C Department's "as-is" state with leading industry practices, Hill's lessons learned from similar engagements, and identified peer institutions
 - Develop organizational and process improvement recommendations
 - Prioritize improvement recommendations based on the resources required to implement the recommendation and the beneficial impact of the recommendation
 - Develop a high-level plan to implement the improvement recommendations
- Recommendations were documented in a report issued in December 2016

Scope of Engagement

Follow-up assessment

- Objectives of the reassessment (conducted September – October 2017)
 - Determine the extent to which the recommendations have been implemented
 - For recommendations that have been acted upon, evaluate:
 - If the desired result has been achieved
 - If further action items and/or resources are needed to more fully implement the recommendation
 - For recommendations that remain open, identify
 - Any obstacles or barriers that have thus far prevented their implementation
 - Strategies to overcome these challenges

Approach to Reassessment

Interviews

(conducted September 28-29, 2017)

F&S Perspective

- Conducted onsite interviews (September 28-29, 2017) with representatives of the Facilities and Safety Division to obtain their understanding of the progress that has been made
 - Associate VP Facilities and Safety
 - FP&C Director
 - FP&C Associate Director
 - QMI Director

Client Perspective

- Interviewed 2 clients with active and/or recently completed projects to obtain their perspective on the recent performance of the FP&C Department

Document Review

- Reviewed documents to determine if the interview responses were consistent with policies and procedures, performance data, and other evidence of progress made since the initial assessment
- Documents reviewed included:
 - Project Manager's Manual
 - Project Management Plan template
 - New procedures, including:
 - FS 2017 FPC0022 – Process for Advertisement and Selection of Design Professionals and Construction Firms
 - FS 2017 FS0024 – Asset Collection and Warranty Claim
 - FS 2017 FS0026 – Use of Contractor Contingency and Owner Contingency Funds for Minor and Major Projects during Construction
 - e-Builder proposal and task order
 - GC quotes data
 - Project tracker database
 - Organizational Chart for FP&C Department
 - Risk Issue Log and Lessons Learned Log

2. Summary Level Findings

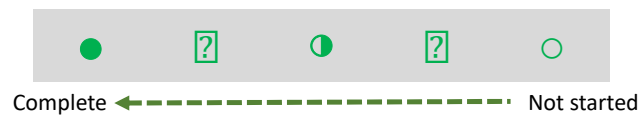


Summary

Program Area	Recommendation	Status	Barriers to Implementation
A. Capital Program Development	1. Develop Project Manager's Manual	●	○ None
	2. Develop enhanced process for planning and programming <u>minor</u> projects	◐	● Lack of top-down mandate from senior leaders (Offices of President & Provost)
	3. Develop standardized reporting requirements	◐	◐ Time and resources to implement software solution
	4. Develop framework for capturing lessons learned	●	○ None
	5. Integrate project management software	◐	◐ Time and resources to implement software solution
B. Organizational Structure	1. Address PM workload situation	◐	● Funding constraints
	2. Support career development of PM staff	●	○ None
	3. Conduct training	●	○ None
	4. Ensure partner departments are adequately staffed to support efficient project execution project	◐	◐ Funding constraints



Status

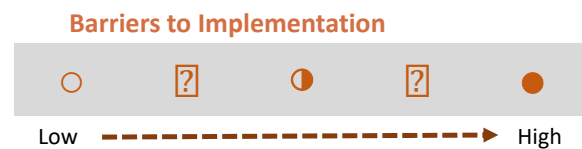
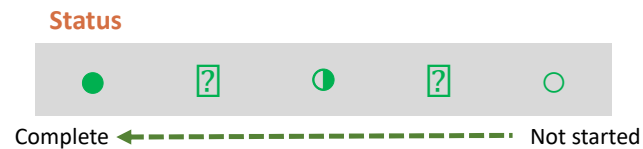


Barriers to Implementation



Summary

Program Area	Recommendation	Status	Barriers to Implementation
C. Procurement & Contract Management	1. Formalize the delivery method selection process		None
	2. Ensure objective evaluation of proposals		Time and resources to regularly train selection committee members
	3. Refine the GC Quotes process		Time and resources to implement electronic bidding module
	4. Develop a detailed process for contract closeout and transition to operations		None
D. Project Development & Scope Mgmt	1. Develop guidance to address project development and change management		None
	2. Continue outreach efforts to campus clients		Time needed to embed culture change regarding minor project programming

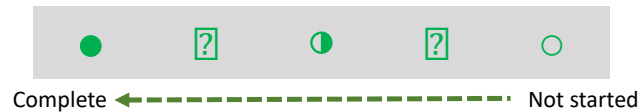


Summary

Program Area	Recommendation	Status	Barriers to Implementation
E. Cost Management	1. Develop/enhance in-house cost estimating capabilities		Time and resources to implement software solution & refine templates
	2. Develop a standard process for evaluating contractor developed cost estimates		None
	3. Integrate financial accounting system with PM software		Lack of full integration of PM software solution with PeopleSoft
	4. Improve capture and use of historical project cost data		Time and resources to develop and maintain database
	5. Develop standard process for verifying field progress as part of payment application approval		None
F. Schedule Management	1. Develop a scalable scheduling specification		Time and resources to develop a specification
	2. Develop a standard process for evaluating contractor developed schedules		Comprehensive training of CPM scheduling techniques needed
	3. Track schedule progress of key milestones		None
	4. Improve capture and use of historical project schedule data		Time and resources to develop and maintain database



Status



Barriers to Implementation

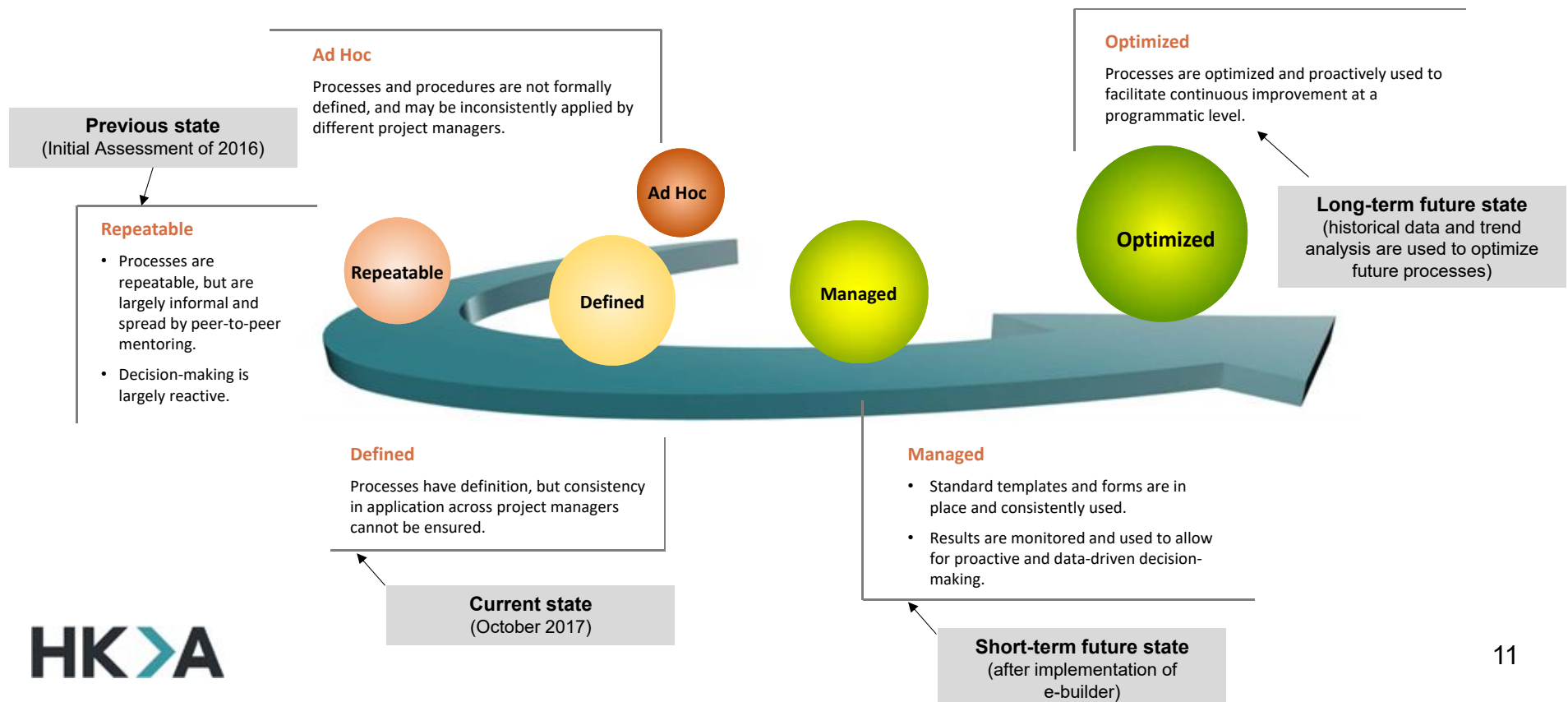


Summary

Program Area	Recommendation	Status	Barriers to Implementation
G. Risk Management	1. Develop and implement a scalable risk and issue management process	●	○ None
H. Communication & Document Management	1. Incorporate financial and schedule progress into standard suite of auto-generated project-level reports	◐	◐ Time and resources to implement software solution
	2. Develop a monthly program-level report that captures project-level information	◐	◐ Time and resources to implement software solution
	3. Development and implement a document management process	●	○ None
	4. Develop standardized document templates	●	○ None
I. Quality Management	1. Empower the Director of Quality position to impart a quality focus to the capital program	●	○ None
	2. Develop quality management guidance outlining what PMs should look for when reviewing vendor deliverables	●	○ None



Summary



3. Detailed Findings




Detailed Observations and Findings

A. Capital program development and management

Recommendation	Status	Progress Made	Additional Comments or Considerations
1. Develop Project Manager's Manual	●	<ul style="list-style-type: none"> An initial draft of the Project Manager's Manual was issued and rolled out on September 27, 2017. The Manual provides: <ul style="list-style-type: none"> Phase-by-phase guidance and process workflows that clarify the roles and responsibilities of the PMs and how and when they are to interface with partner departments and other stakeholders. References to more detailed procedural documents and forms. As the Manual was developed with the direct input of the PMs, there should be minimal resistance to acceptance and implementation. 	<ul style="list-style-type: none"> The addition of a Table of Contents and the incorporation of a numerical paragraph hierarchy and figure/table numbering would enhance the user-friendliness of the Manual. Once the PM software solution is implemented, the Manual should be reviewed to determine what if any changes are needed to better align existing processes with the new tool and to determine if any new processes (e.g., reporting) are needed. Thereafter, the PM Manual should be periodically reviewed and updated as necessary to ensure that the processes contained therein remain relevant and appropriate.


Detailed Observations and Findings

A. Capital program development and management

Recommendation	Status	Progress Made	Additional Comments or Considerations
2. Develop enhanced process for planning and programming <u>minor</u> projects		<ul style="list-style-type: none"> For <u>major</u> projects, the newly established Facilities Budget Committee should help instill greater governance with regard to project planning, programming, and prioritization. For <u>minor</u> projects, the lack of a robust filtering process continues to threaten the ability of PMs to effectively scope, prioritize, manage, and monitor projects. 	<ul style="list-style-type: none"> The lack of a robust filtering process for minor projects is largely an external issue, out of the control of the FP&C Department. Consistent, top-down messaging from the Offices of the President and Provost is likely needed to compel Deans and Department heads to support the implementation of a more disciplined and coordinated approach to <i>minor</i> project authorization and prioritization.



Detailed Observations and Findings

A. Capital program development and management

Recommendation	Status	Progress Made	Additional Comments or Considerations
3. Develop standardized reporting requirements		<ul style="list-style-type: none"> Third-party project management software (e-Builder Enterprise) has been procured. Based on a review of the e-Builder proposal and task order: <ul style="list-style-type: none"> If effectively implemented, this software solution will provide dashboards and reporting tools capable of providing excellent insight into programmatic and project-level performance. The software configuration and training activities outlined in the task order, coupled with the development of the PM Manual in advance of the implementation, suggests that the necessary planning and forethought has been given to the development and rollout of the software to help ensure the implementation is successful. 	<ul style="list-style-type: none"> Dashboard and reporting capabilities can only be effective if they are used. The recently established Finance and Facilities committee should help reinforce the need and value of actively monitoring project performance data by providing more consistent oversight of the capital program. Per the recommendations of the F&S AVP, the committee is to: <ul style="list-style-type: none"> Review all proposed new projects with >\$2M in construction costs Review all changes that exceed \$2M in construction costs or that increase project costs by more than 10% of the original estimate Receive as information all new projects with < \$2M in construction


Detailed Observations and Findings

A. Capital program development and management

Recommendation	Status	Progress Made	Additional Comments or Considerations
4. Develop framework for capturing lessons learned		<ul style="list-style-type: none"> Lessons learned are discussed at the weekly FP&C Department meetings (as witnessed by HKA) and are documented in a spreadsheet. 	<ul style="list-style-type: none"> The empowerment of the Quality Management and Improvement (QMI) group has provided an excellent layer of programmatic oversight that will help with identifying and analyzing both lessons learned and trend data (particularly once such data become more readily accessible after the e-Builder implementation). QMI's participation during a project's design and construction phase also provides PMs with a resource to help trouble-shoot and resolve issues early-on, before they escalate into major problems.
5. Integrate project management software		<ul style="list-style-type: none"> Third-party project management software (e-Builder Enterprise) has been procured. (see status reported in response to recommendation A.3 above) 	<ul style="list-style-type: none"> Although the project management software will not be fully integrated with UCF's financial system (PeopleSoft), it should still satisfy project reporting needs.

Detailed Observations and Findings

B. Organizational structure

Recommendation	Status	Progress Made	Additional Comments or Considerations
1. Address PM workload situation		<ul style="list-style-type: none"> The volume of active projects per PM has dropped from more than 30 per PM (at the time of the initial assessment) to roughly 15-20 per PM currently (excluding Tech Fee projects). This drop is due in part to the natural order of completing a large backlog of projects. Although the current project workload is more manageable, it still represents a higher volume of projects per PM than seen at comparable universities. Other actions taken to improve the workload situation include: <ul style="list-style-type: none"> The addition of 2 assistant PMs to manage smaller projects and assist PMs with some of the documentation responsibilities on larger, more complex projects; The creation of a Preconstruction Manager position, which once filled, should help relieve the PMs of some of the responsibility to scope and estimate projects (thus allowing PMs to focus on their core project management responsibilities of monitoring and controlling the work). The creation of a construction group within Facilities Operations (FO) to self-perform small projects (however, it remains to be seen if UCF can offer a competitive package to attract and retain the trades needed to make the FO construction group successful.) 	<ul style="list-style-type: none"> In the interviews conducted with clients, all attributed any perceived problems with the FP&C Department (e.g., responsiveness not as quick as they would like) to the PM's workload. Funding remains the primary challenge to adequately staffing the FP&C group. In the future, as fewer major projects are planned, it may be necessary to revisit how the FP&C Department is funded.


Detailed Observations and Findings

B. Organizational structure

Recommendation	Status	Progress Made	Additional Comments or Considerations
2. Continue to support career development of PM staff	●	<ul style="list-style-type: none"> Even at the time of the initial assessment, the FP&C Department exhibited strength in the area of career development. This recommendation was primarily made to ensure that UCF does not lose sight of what is currently working very well, such as: <ul style="list-style-type: none"> Intentionally assigning PMs to a diverse set of projects to enhance their on-the-job experience and training; Encouraging and supporting participation in local/national industry associations and attendance at conferences; and Providing continuing education opportunities, such as the project management training offered by the Project Management Institute (PMI). The Assistant PM position provides a growth path for grooming new PMs. 	<ul style="list-style-type: none"> To reiterate an observation from the Initial Report, the PMs possess a skillset that is very desirable to local industry. Compensation packages must remain competitive to attract and retain the best personnel.
3. Conduct training	●	<ul style="list-style-type: none"> The FP&C Department recognizes the importance of training and effective roll-out of new initiatives. <ul style="list-style-type: none"> Most PMs have attended PMI training (with the remainder planning to attend in the near future). The e-Builder task order suggests that PMs will receive adequate hands-on training in the use of the new software tool. The recently rolled-out PM Manual will serve as an effective tool to help onboard new hires. 	N/A




Detailed Observations and Findings

B. Organizational structure

Recommendation	Status	Progress Made	Additional Comments or Considerations
4. Ensure partner departments are adequately staffed to support efficient project execution project		<ul style="list-style-type: none"> Environmental Health and Safety (EH&S) was described as having made significant progress in working through a large backlog of projects. A third-party inspection group has been retained to handle plan reviews, permits, and inspections. Priority has been placed on filling the currently vacant Building Code Official position. The FP&C Director indicated that the PMs are now working closer with EH&S to streamline procedures and better communicate priorities. 	<ul style="list-style-type: none"> This recommendation is largely out of the hands of the FP&C Department; however, the PM Manual, by highlighting touchpoints with other departments and stakeholders, should help PMs better plan and schedule their interactions with other Departments, such as EH&S.

Detailed Observations and Findings

C. Procurement and contract management

Recommendation	Status	Progress Made	Additional Comments or Considerations
1. Formalize the delivery method selection process		<ul style="list-style-type: none"> The new PM Manual provides guidance regarding the selection of the appropriate delivery method for different project conditions. This decision-making is to be documented in a Project Management Plan – a newly established requirement for all projects. The intent is to ensure that the delivery method is reviewed, strategically selected at the appropriate time, and agreed to by the appropriate individuals. 	N/A
2. Ensure objective evaluation of proposals		<ul style="list-style-type: none"> A new F&S procedure (FPC 0022 – Process for Advertisement and Selection of Design Professionals and Construction Firms) formally defines the selection and evaluation process. As part of the new process, all selection committee members are to sign a Disclosure of Conflict of Interest Form. All selection committee members are to receive annual training on the importance of impartial selections. 	N/A
3. Refine the GC Quotes process		<ul style="list-style-type: none"> A review of recent GC Quotes data indicates that a healthy number of bids (at least 2 and typically 3 or more per project) have been received in the last 12 months. The planned implementation of e-Builder's electronic bidding module should streamline the GC Quotes process and eliminate previous issues cited by some PMs regarding the lack of clarity on what was needed to develop an acceptable and complete project scope for use by the GC Quotes process. 	<ul style="list-style-type: none"> The current policy towards non-responsive bidders was described as a “three-strikes, you’re out” process (i.e., first missed bid = email warning; second missed bid = letter warning; third missed bid = termination or non-renewal of the continuing service contract. This appears to be a fair and balanced solution to helping ensure competition.



Detailed Observations and Findings

C. Procurement and contract management

Recommendation	Status	Progress Made	Additional Comments or Considerations
4. Develop a detailed process for contract closeout and transition to operations	●	<ul style="list-style-type: none"> The new PM Manual describes the closeout phase. A new Asset Collection and Warranty Claim process was developed, which clarifies the roles and responsibilities of the FP&C and FO Departments. 	N/A



Detailed Observations and Findings

D. Project development and scope management

Recommendation	Status	Progress Made	Additional Comments or Considerations
1. Develop guidance to address project development and change management		<ul style="list-style-type: none"> Large complex projects undergo a design workshop procedure that requires the participation of key stakeholders. A new process has been developed to control the use of both Owner's and Contractor's contingency. 	N/A
2. Continue outreach efforts to campus clients		<ul style="list-style-type: none"> Culture change regarding the initiation and prioritization of minor projects appears to be a slow process. However, the FP&C Department is doing what it can to help educate and communicate with clients. <ul style="list-style-type: none"> Monthly meetings of the facilities working group continue to occur. A Project Cost Archive has been developed, which can be used to help educate clients on historical project costs. 	N/A




Detailed Observations and Findings

E. Cost management

Recommendation	Status	Progress Made	Additional Comments or Considerations
1. Develop/enhance in-house cost estimating capabilities		<ul style="list-style-type: none"> For large projects, two estimating tools – referred to as the Project Cost Calculator and Project Questionnaire – have been developed. The cost calculator uses a series of predefined cost factors (\$/sq ft) to generate estimates based on the scope of work (e.g., building type, new construction vs. renovation, on or off campus, etc.) and square footage of the spaces involved. Once filled, the newly created Preconstruction Manager position is intended to assist with: <ul style="list-style-type: none"> Developing estimating tools to establish early budgets for large and small projects; and Developing and managing a cost database that can be used to help establish initial estimates and review and negotiate contractor-provided GMP quotes and change orders. 	<ul style="list-style-type: none"> Implementation of the PM software solution should facilitate the development of a database of historical project costs. The Cost Calculator tool should continue to undergo testing (i.e., comparison to bids received) to determine if any refinements are needed.
2. Develop a standard process for evaluating contractor developed cost estimates		<ul style="list-style-type: none"> GMPs are reviewed by the Director, Associate Director, and the Facilities Safety and Business Office (FSBO). A review of the documentation prepared to support a recent GMP audit of a typical project suggests that comprehensive reviews are being performed and are well-documented. In the absence of a formal written procedure, these past GMP audits should provide the guidance needed to assist with future evaluations. 	<ul style="list-style-type: none"> As a consideration for a future revision of the PM Manual, the responsibilities for this GMP review step could be made clearer in the process flows.





Detailed Observations and Findings

E. Cost management

Recommendation	Status	Progress Made	Additional Comments or Considerations
3. Integrate financial accounting system into Project Tracker		<ul style="list-style-type: none"> Third-party PM software (e-Builder Enterprise) has been procured. (see status reported in response to recommendation A.3 above) 	<ul style="list-style-type: none"> Although the project management software will not be fully integrated with UCF's financial system (PeopleSoft), it should still satisfy project reporting needs.
4. Improve capture and use of historical project cost data		<ul style="list-style-type: none"> A library of cost information for recent projects (along with their scopes and schedules) has been established. Once more fully populated and made searchable, this Project Cost Archive should prove to be very useful with: <ul style="list-style-type: none"> Helping educate clients on project costs Developing estimates for future projects 	<ul style="list-style-type: none"> Implementation of the PM software solution should facilitate the development of a searchable database of historical project costs. To avoid establishing an artificial floor for project costs, the Archive should be placed on the non-public, secure side of UCF's website.
5. Develop standard process for verifying field progress as part of payment application approval		<ul style="list-style-type: none"> Although not formally defined, adequate controls appear to be in place to ensure a thorough review of invoices and payment transactions. <ul style="list-style-type: none"> For projects that have an A/E, the A/E is responsible for reviewing and signing off on payment applications. The PM then further validates the percent complete. The FSBO group checks values to ensure correct accounting and inclusion of proper backup. Payments of >\$10K are approved by the Associate Director; projects >\$50k are approved by the Director. 	<ul style="list-style-type: none"> As a consideration for a future revision of the PM Manual, the payment approval process could be clarified.

Detailed Observations and Findings

F. Schedule management

Recommendation	Status	Progress Made	Additional Comments or Considerations
1. Develop a scalable scheduling specification		<ul style="list-style-type: none"> Contracts define schedule milestones, but are largely silent as to UCF's expectations regarding submission standards (e.g. activity requirements related to coding, durations, logic, calendars; progress updating and reporting requirements, etc.) 	<ul style="list-style-type: none"> For the majority of UCF's projects, the lack of a detailed scheduling specification is not a cause for concern. However, if large or more complex projects are undertaken in the future, consideration should be given to better specifying scheduling requirements.
2. Develop a standard process for evaluating contractor developed schedules		<ul style="list-style-type: none"> Schedules are evaluated for progress made against key milestones. 	<ul style="list-style-type: none"> If UCF plans to undertake a large number of complex projects in the future, it may be beneficial to have at least one of the PMs trained in scheduling techniques so as to create some subject matter expertise for reviewing contractor-developed baseline schedules, schedule updates, and time extension requests.
3. Track schedule progress of key milestones		<ul style="list-style-type: none"> The newly implemented Project Management Plan includes fields to input key milestones. The expectation is that the PMs will track progress against these milestones. 	<ul style="list-style-type: none"> Implementation of the PM software solution should greatly enhance and streamline the schedule monitoring and progress reporting process.
4. Improve capture and use of historical project schedule data		<ul style="list-style-type: none"> An archive of recent project information (scope, cost, and schedule) has been established. Once more fully populated and made searchable, this library should prove to be very useful with educating clients on reasonable project durations and with developing milestone schedules for future projects. 	<ul style="list-style-type: none"> Implementation of the PM software solution should facilitate the development of a searchable database of historical project schedule information.




Detailed Observations and Findings

G. Risk management

Recommendation	Status	Progress Made	Additional Comments or Considerations
1. Develop and implement a scalable risk and issue management process	●	<ul style="list-style-type: none"> Budget and schedule templates include contingency as a risk mitigation measure. Risks and issues are documented and tracked on a log. 	N/A

Detailed Observations and Findings

H. Communication and document management

Recommendation	Status	Progress Made	Additional Comments or Considerations
1. Incorporate financial and schedule progress into standard suite of auto-generated project-level reports 2. Develop a monthly program-level report that captures project-level information		<ul style="list-style-type: none"> Third-party project management software (e-Builder Enterprise) has been procured. Based on a review of the e-Builder proposal and task order, if effectively implemented, this software solution will provide dashboards and reporting tools capable of providing excellent insight into programmatic and project-level performance. 	N/A
3. Development and implement a document management process		<ul style="list-style-type: none"> The PM Manual addresses project communication requirements, including meeting minutes and project correspondence. 	N/A
4. Develop standardized document templates		<ul style="list-style-type: none"> Standard contract templates and standard forms for change orders, RFIs, etc. have been developed. 	<ul style="list-style-type: none"> Once implemented, the PM software solution should streamline the submittal and routing of change order requests, RFIs, etc.

Detailed Observations and Findings

I. Quality management

Recommendation	Status	Progress Made	Additional Comments or Considerations
1. Empower the Director of Quality position to impart a quality focus to the capital program	●	<ul style="list-style-type: none"> As noted in response to A.4 above, a QMI Director has been hired and empowered. 	N/A
2. Develop quality management guidance outlining what PMs should look for when reviewing vendor deliverables	●	<ul style="list-style-type: none"> Checklists have been developed to identify and track deliverables. The design workshop procedure allows interested stakeholders to provide their input as an integral component of the design review process. In addition, QMI's participation during a project's design and construction phase also provides PMs with a resource to help trouble-shoot and resolve issues early-on, before they escalate into major problems. 	N/A