University of Central Florida

Board of Trustees
Finance and Facilities Committee Meeting
October 17, 2012
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**	Olga M. Calvet *Chair of the Finance and Facilities Committee*
II.	**ROLL CALL**	Sheree Morgan *Senior Administrative Assistant to the Vice President for Administration and Finance and CFO*
III.	**MEETING MINUTES**	Chair Calvet
	• Approval of the August 29, 2012, and September 27, 2012, Finance and Facilities Committee meeting minutes	
IV.	**OLD BUSINESS**	Chair Calvet
V.	**NEW BUSINESS**	Chair Calvet
	• 2013 Finance and Facilities Committee Meeting Dates (INFO-1)	Chair Calvet William F. Merck II
	• Electronic Funds Transfer Policy (FFC-1)	William F. Merck II *Vice President for Administration and Finance and Chief Financial Officer* Tracy Clark *Assistant Vice President for Finance and Controller*
	• Release of Unrestricted Surplus Funds from UCF Convocation Corporation to the University (FFC-2)	William F. Merck II John C. Pittman *Assistant Vice President for Debt Management*

	• Lake Nona Distributed Antenna System (DAS) Participation Agreement (FFC-3)	Tony G. Waldrop *Provost and Executive Vice President* Joel Hartman *Vice Provost and CIO for Information Technologies and Resources*
	• Draft 2011-12 University Audited Financial Statements review	William F. Merck II Tracy Clark
VI.	**OTHER BUSINESS**	Chair Calvet
VII.	**CLOSING COMMENTS**	Chair Calvet

University of Central Florida

Board of Trustees
Finance and Facilities Committee Meeting
President's Boardroom, Millican Hall, 3rd floor
August 29, 2012

MINUTES

CALL TO ORDER

Trustee Olga M. Calvet, chair of the Finance and Facilities Committee, called the meeting to order at 8:30 a.m. Committee members Ida Cook, Marcos Marchena, and Cortez Whatley were present. Ex-officio member Michael Grindstaff was present. Committee members Jim Atchison, Robert Garvy, and John Sprouls attended via teleconference.

MINUTES APPROVAL

The minutes of the June 27, 2012, and July 26, 2012, Finance and Facilities Committee meetings were approved as submitted.

NEW BUSINESS

University Depositories (FFC-1)

Chair Calvet and William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer, gave a review of depositories into which university funds may be deposited and included authorization for the president or his designee to transfer funds between depositories, and designate university employees to sign checks for payment of university obligations. No bank shall be designated unless it is a qualified depository as provided by Florida Statutes. The committee approved the university depositories.

Release of Unrestricted Golden Knights Corporation Revenues (FFC-2)

Merck reviewed the proposed release of revenues above budgeted obligations from the Golden Knights Corporation to the UCF Athletics Association for 2011-12. The release of unrestricted Golden Knights Corporation revenues was approved by the committee.

Naming of the Presentation Room in the Graduate Student Center (FFC-3)

Michael Stern, Associate Dean for the College of Graduate Studies, reviewed the proposed naming of the Presentation Room in the UCF Graduate Student Center to be "The Patricia Bishop Presentation Room." Dr. Patricia Bishop was Director of Graduate Studies and later the Vice Provost and Dean of the College of Graduate Studies at UCF. The committee approved the naming of the Presentation Room in the Graduate Student Center in honor of Patricia Bishop.

University Investment Policy review

Merck gave the annual review of the University Investment Policy.

University Annual Investment update
Merck introduced Troy Brown, Director of Consulting and Senior Consultant of The Bogdahn Group, who gave an overview of the university's total investments as of June 30, 2012.

University Operating Budget report
Merck reported that the University Operating Budget Report was provided as an information item.

Direct Support Organizations' Quarterly Reports ended June 30, 2012
Merck reported that the DSO's fourth-quarter financial reports were provided as information items.

University and DSO Debt report
Merck reported that the University and DSO Debt report was provided as an information item.

UCF Debt Management Guidelines review
Merck reported that the UCF Debt Management Guidelines was provided as an annual review.

Sustainability and Energy Management update
David Norvell, Executive Director of Facilities, gave a presentation on UCF's energy conservation successes.

Safety and Security update
Richard Beary, Assistant Vice President for Safety and Security and Chief of Police, gave a presentation on campus safety and security enhancements.

OTHER BUSINESS

Chair Calvet adjourned the Finance and Facilities Committee meeting at 10:10 a.m.

Respectfully submitted: Will F. Merck II ____________________ 10-3-12 __________
William F. Merck II
Vice President for Administration and Finance
and Chief Financial Officer
Date

University of Central Florida

Board of Trustees
Finance and Facilities Committee Meeting
Live Oak Center
September 27, 2012

MINUTES

CALL TO ORDER

Trustee Olga M. Calvet, chair of the Finance and Facilities Committee, called the meeting to order at 9:01 a.m. Committee member Ida Cook was present. Ex-officio member Michael Grindstaff was present. Committee members Robert Garvy, Marcos Marchena, John Sprouls, and Cortez Whatley attended via teleconference.

NEW BUSINESS

State University System Annual Status Report on Market Tuition (INFO-1)

Tony G. Waldrop, Provost and Executive Vice President, gave a report on the implementation of market tuition rates that was approved by the Board of Governors in February 2011.

Establish Market Tuition Rate for Master of Science in Engineering Management Degree Program (FFC-2)

Waldrop reviewed the College of Engineering and Computer Science's request to establish market tuition rates for the master of science in engineering management degree program, which the committee approved.

Chair Calvet adjourned the Finance and Facilities Committee meeting at 9:24 a.m.

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

10-3-12
Date

ITEM: INFO-1

University of Central Florida
Board of Trustees
Finance and Facilities Committee

SUBJECT: 2013 Finance and Facilities Committee Meeting Dates

DATE: October 17, 2012

PROPOSED COMMITTEE ACTION

Information only.

BACKGROUND INFORMATION

The 2013 Board of Trustees' Finance and Facilities Committee meetings are scheduled as follows and subject to change:

February 20	8:30 – 10:30 a.m.	Wednesday	Millican Hall, #393
April 24	8:30 – 10:30 a.m.	Wednesday	Millican Hall, #393
May 23	Time - TBD	Thursday	Live Oak Center
June 26	8:30 – 10:30 a.m.	Wednesday	Millican Hall, #393
July 25	Time - TBD	Thursday	Live Oak Center
August 28	8:30 – 10:30 a.m.	Wednesday	Millican Hall, #393
October 16	8:30 – 10:30 a.m.	Wednesday	Millican Hall, #393
December 11	8:30 – 10:30 a.m.	Wednesday	Millican Hall, #393

Supporting documentation: None

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

Submitted by: William F. Merck II, 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: Electronic Funds Transfer Policy

DATE: October 17, 2012

PROPOSED COMMITTEE ACTION

Approve the university's Electronic Funds Transfer Policy.

BACKGROUND INFORMATION

Florida Statute 1010.11 requires the University Board of Trustees to adopt a written policy prescribing the accounting and control procedures under which university funds are allowed to be moved by electronic transaction for any purpose, including direct deposit, wire transfer, withdrawal, investment, or payment.

We request approval of the university's Electronic Funds Transfer Policy No. 3-121**.** This policy requires all university employees comply with the procedures prescribed in the university's Electronic Funds Transfer Procedure Manual. These procedures are designed to ensure electronic transactions are initiated, approved, and executed in a secure manner to prevent loss of university funds arising from fraud, employee error, misrepresentation by third parties, and/or imprudent actions by university employees.

Supporting documentation:

UCF Policy No. 3-121 Electronic Funds Transfer Policy (Attachment A)
Copy of Florida Statutes 1010 (Attachment B)

Prepared by: Tracy Clark, Assistant Vice President for Finance and Controller

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

Attachment A

UCF Policy No. 3-121 Electronic Funds Transfer Policy

University of Central Florida

<table>
<tr><td rowspan="3">SUBJECT:
Electronic Funds Transfer Policy</td><td>Effective Date:
09/10/12</td><td colspan="2">Policy Number:
3-121</td></tr>
<tr><td>Supersedes:</td><td>Page
1</td><td>Of
2</td></tr>
<tr><td colspan="3">Responsible Authority:
Assistant Vice President for Finance and Controller</td></tr>
</table>

APPLICABILITY/ACCOUNTABILITY

Office of the President

This policy sets forth the requirements for the accounting and control of funds processed electronically for any purpose, including direct deposit, wire transfer, withdrawal, or investment of funds.

POLICY STATEMENT

The Controller's office is responsible for the daily management of university bank balances and the general oversight of Electronic Funds Transfer (EFT) activity. All university employees involved with direct deposits and payment of funds transmitted electronically are required to comply with the UCF Electronic Funds Transfer Procedure Manual. This policy is adopted pursuant to Florida Statute 1010.11 and sets forth the university's written policies prescribing a system of accounting, internal controls, and operational procedures for the execution of EFTs.

DEFINITIONS

Electronic Funds Transfer. The electronic exchange or transfer of funds from one account to another, either within a single financial institution or across multiple institutions, through electronic messaging to a financial institution. Examples include wire transfers received, student refund direct deposits, ACH payments to vendors, Fedwire payments to vendors and employee direct deposits.

PROCEDURES

These procedures are designed to ensure that the receipt and withdrawal of all EFTs are initiated, approved, and executed in a secure manner to prevent loss of university funds arising from fraud, employee error, misrepresentation by third parties, and/or imprudent actions by university employees. EFT payments are processed by Finance and Accounting, and Human Resources.

EFT procedures are detailed in the Electronic Funds Transfer Procedure Manual. These procedures must be followed by all university employees. The manual is available at http://www.fa.ucf.edu/Vendor_Payables/Publications/Electronic_Funds_Procedures_Manual_final.pdf

RELATED INFORMATION

FS 1010.11, Electronic Transfer of Funds, Florida Statutes Website:
http://www.leg.state.fl.us/statutes/index.cfm?mode=View%20Statutes&SubMenu=1&App_mode=Display_Statut e&Search_String=1010.11&URL=1000-1099/1010/Sections/1010.11.html

INITIATING AUTHORITY

Vice President for Administration and Finance and Chief Financial Officer

POLICY APPROVAL

(For use by the Office of the President)

Policy Number: 3-121

Initiating Authority: ______________ Date: 9-10-12

Policies and Procedures
Review Committee Chair: ______________ Date: 8-22-12

President or Designee: ______________ Date: 9/10/12

Attachment B

Florida Statutes 1010.11

1010.11 Electronic transfer of funds.— Pursuant to the provisions of s. 215.85, each district school board, Florida College System institution board of trustees, and university board of trustees shall adopt written policies prescribing the accounting and control procedures under which any funds under their control are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. Electronic transactions shall comply with the provisions of chapter 668.

ITEM: **FFC-2**

University of Central Florida
Board of Trustees
Finance and Facilities Committee

SUBJECT: Release of Unrestricted UCF Convocation Corporation Revenues

DATE: October 17, 2012

PROPOSED COMMITTEE ACTION

Approve the release of revenues above budgeted obligations from the UCF Convocation Corporation to the university.

BACKGROUND INFORMATION

When the UCF Convocation Corporation issued certificates of participation to provide funding for the construction of the convocation center and renovation of the existing arena, the debt covenants required the establishment of a restricted surplus fund. Excess funds are transferred into that fund until certain conditions are met. The conditions requiring the establishment and maintenance of the fund have now been met and the balance on hand can be released without restriction. We request approval to:

- transfer excess funds held with the trustee in the current year to the university

- continue with transfers to the university in future years for the excess amounts that will be paid into the surplus fund.

The amounts transferred will be used to offset any obligations of the university to the convocation center.

Supporting documentation: N/A

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

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

FFC-3

University of Central Florida
Board of Trustees
Finance and Facilities Committee

SUBJECT: Lake Nona Distributed Antenna System (DAS) Participation Agreement

DATE: October 17, 2012

PROPOSED COMMITTEE ACTION

Approval to enter a Distributed Antenna System Participation Agreement with Lake Nona DAS in regard to developing a multi-user DAS that will serve UCF facilities located at Medical City. The term of this agreement is greater than 10 years.

BACKGROUND INFORMATION

UCF, Nemours, the VA Hospital, Sanford-Burnham, the University of Florida and Lake Nona have jointly designed a multi-user DAS that will serve each of the Medical City agencies from a shared central equipment location facility. This approach reduces the cost and duplication of services that would result from each agency developing its own separate DAS. Each agency will sign a DAS Participation Agreement.

Supporting documentation: DAS Participation Agreement

Prepared by: Jordan P. Clark, Associate General Counsel

Submitted by: Joel L. Hartman, Vice Provost and CIO for Information Technologies and Resources

DAS PARTICIPATION AGREEMENT

THIS DAS PARTICIPATION AGREEMENT (this "**Agreement**") is made effective as of the Effective Date (as defined herein) and is among **UNIVERSITY OF CENTRAL FLORIDA REAL ESTATE FOUNDATION, LLC**, a Florida limited liability company, whose address is 4000 Central Florida Boulevard, Millican Hall, Suite 360, Orlando, Florida 32816-0015, and **UNIVERSITY OF CENTRAL FLORIDA,** on behalf of its Board of Trustees, whose address is c/o UCF Foundation, 12424 Research Parkway, Suite 250, Orlando, Florida 32826-3257 (collectively, the "**Owner**"), and **LN DAS, LLC**, a Florida limited liability company (the "**LN DAS**"). As used herein, the "**Effective Date**" of this Agreement shall mean the date the last party executes this Agreement.

RECITALS:

A. Owner is the fee simple owner and lessee of certain improved real property located in Orlando, Florida, which real property is more particularly described on **Exhibit "A"** attached hereto and incorporated by reference herein (the "**Land**"). The Land is improved with certain buildings and is intended to be operated and used by Owner as a medical campus as part of a state university (the "**Buildings**"; and, together with the Land, the "**Property**").

B. The Property is part of the Lake Nona Development of Regional Impact / Planned Development lying in Orlando, Florida (the "**Project**"). LN DAS has licenses and easements in and to various segments of the Backhaul Network (as defined in Recital D below) and either owns or will own the Telecom Hotel (as defined in Recital E).

C. Owner intends to own, install and operate a distributed antenna system in the Buildings (the "**In-Building DAS**"), for the seamless provision of telecommunication services to the Building, and Owner intends to own, install, maintain and replace underground conduit on the Property to be licensed to LN DAS as part of its Backhaul Network (as defined herein) to facilitate the provision of Communication Services (the "**Telecom Conduit**"), subject to the terms set forth herein below.

D. The parties intend that the In-Building DAS will be connected to a conduit system containing a fiber optic network lying within private and public lands throughout various portions of the Project which shall include the Telecom Conduit lying within the Property (the "**Backhaul Network**"), subject to the terms set forth herein below.

E. On or before June 30, 2013, LN DAS intends to construct on certain real property lying within the Project a central plant (the "**Telecom Hotel**") for purposes of housing radio and other equipment necessary for the Wireless Service Providers (as defined in Recital F below) to interconnect their respective wireless network to the In-Building DAS via the Backhaul Network.

F. LN DAS intends to enter contractual relationships with various commercial mobile radio service providers (collectively, the "**Wireless Service Providers**") for interconnection of these Wireless Service Providers' networks via the Backhaul Network from the Telecom Hotel to the In-Building DAS on the Property.

NOW THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars, in hand paid, the mutual premises of this Agreement, and other good and valuable consideration, the receipt, sufficiency, and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Recitals. The parties acknowledge and agree that the recitals set forth above are true and correct and are incorporated herein by reference.

2. Infrastructure.

(a) Owner's Infrastructure. Owner intends to construct such communications infrastructure and facilities within or adjacent to the Buildings as are appropriate and consistent with the operation of an In-Building DAS therein, which may include, as appropriate and in Owner's discretion, indoor telecommunications lines, antennas, amplifiers, and other equipment and appurtenances, all as may from time to time be modified, replaced, and upgraded in keeping with technological development and innovation. Owner's In-Building DAS infrastructure shall include a "**Remote Head-End**" located within or immediately adjacent to the Buildings for access to the In-Building DAS. Owner has installed the Telecom Conduit on the Property. All of the above (In-Building DAS, Remote Head-End and Telecom Conduit) shall be owned and maintained by Owner and shall be referred to herein as "**Owner's Infrastructure**". The Owner's Infrastructure shall be designed and constructed pursuant to plans and specifications that Owner deems reasonably appropriate. Owner shall enter into a maintenance contract with General Electric, or such other third-party maintenance entity reasonably approved by LN DAS in writing (which approval shall not be unreasonably withheld, conditioned or delayed), for the maintenance, repair and restoration of the Owner's Infrastructure (the "**Maintenance Agreement**") which shall be, and shall remain, in effect at all times hereunder.

Owner shall test the In-Building DAS in accordance with the acceptance criteria detailed in **Exhibit "B"** attached hereto and incorporated herein by this reference (the "**Acceptance Criteria**"). Owner shall provide LN DAS five (5) Business Days prior written notice of the date and time of when Owner shall conduct testing to determine whether the Acceptance Criteria have been met. In no event shall LN DAS delay Owner's performance of testing necessary to determine compliance with the Acceptance Criteria for a period greater than five (5) days beyond the date specified in Owner's written notice. LN DAS shall have the right to have LN DAS personnel present to observe such testing. When Owner has determined that the Acceptance Criteria have been met and is able to present the final reports that show that the In-Building DAS has been properly installed and are operating in conformity with the Acceptance Criteria, Owner shall promptly provide to LN DAS an executed original of a "DAS System Completion Notice" in such form substantially consistent with **Exhibit "B"** attached hereto and incorporated herein by this reference.

Within ten (10) days of receipt of a DAS System Completion Notice, LN DAS shall provide Owner with a written notice accepting or rejecting the In-Building DAS, specifying in reasonable detail, if rejected, the defect or failure in the Acceptance Criteria upon which such rejection is based. In the event of any good faith rejection by LN DAS, Owner shall take such action as reasonably necessary, and as expeditiously as practicable, to correct or cure such defect or failure; and, the Acceptance Criteria process, including notification to LN DAS and provision of a DAS System Completion Notice, shall be repeated with respect to such rejected In-Building DAS. In the event Owner is unable to cure such defect or failure, after good faith attempts, within one hundred (120) days after the date of receipt of the first rejection notice from LN DAS, then LN DAS shall have the right to terminate this Agreement. In the event of a dispute between the parties as to whether the In-Building DAS fails to meet the Acceptance Criteria, the parties shall select an independent third-party with expertise in the industry (or if the parties cannot mutually agree upon an independent third-party then each party shall select their own independent third-party and such independent parties shall select a third independent third-party) whose opinion as to whether the Acceptance Criteria has been satisfied shall be binding upon the parties.

(b) LN DAS's Infrastructure. LN DAS intends to install the fiber in the Telecom Conduit on the Property to interconnect with the In-Building DAS at the Remote Head-End. Owner hereby grants LN DAS a non-exclusive license for the right to install, maintain, repair, replace and operate, at LN DAS's sole cost and expense, the fiber within the Telecom Conduit, as further described on **Exhibit "C"** attached hereto and made a part hereof, and in the locations on the Property and description of physical infrastructure as shown on **Exhibit "C"** attached hereto and incorporated by reference herein, all of which together with the Backhaul Network and the Telecom Hotel shall constitute and may be referred to herein as "**LN DAS's Infrastructure**".

(c) No Other Rights. LN DAS shall not have any right to use any portion of the Property other than the Telecom Conduit. Owner reserves the right to use the Telecom Conduit for other purposes and to grant other parties the right to install, operate, maintain and replace fiber optic or other cable within the Telecom Conduit, provided it does not interfere with the Telecom Conduit or LN DAS's use of the Telecom Conduit for the purposes contemplated hereunder. If it does interfere, Owner shall promptly remove such interference.

(d) "As Is". LN DAS shall accept the Property, the Telecom Conduit and the Remote Head-End in their "**AS IS, WHERE IS**" condition with all faults and without any representation or warranty by Owner, including without limitation, any representation as to suitability or fitness of the Telecom Conduit or the Remote Head-End for LN DAS's intended use.

3. Maintenance, Repairs, and Upgrades.

(a) LN DAS's Infrastructure. LN DAS and/or a maintenance company, designated by LN DAS, at no expense to Owner, shall maintain, repair and replace the LN DAS's Infrastructure at any time and from time to time, and in so doing shall have the right to access that portion of the Property minimally necessary to complete such tasks and LN DAS's Infrastructure seven (7) days a week, twenty four (24) hours a day, upon prior notice to Owner except in the case of an emergency. LN DAS shall have the right to use such portions of the Property that are contiguous, adjoining, or surrounding the LN DAS's Infrastructure as may be reasonably required to exercise its rights hereunder, including upon the initial installation of LN DAS's Infrastructure. In performing any work on the Property pursuant to such rights, LN DAS shall make commercially reasonable efforts not to interfere with Owner's ongoing business and operations on the Property. LN DAS, at no expense to Owner, shall promptly repair any damage to the Property caused by it or its approved contractors' entry onto the Property. To ensure that

LN DAS can exercise the rights granted in this paragraph, Owner shall not, without the prior written consent of LN DAS (such consent not to be unreasonably withheld), conduct any excavation, construct any buildings or other improvements where LN DAS's Infrastructure may be located, as shown on **Exhibit "C"**, unless Owner amends the Agreement to provide an alternative location on the Property for installation of the fiber in the Telecom Conduit for an identical use to that herein; pays all expenses of LN DAS for such relocation of the fiber and Telecom Conduit on the Property and provided such relocation does not, at any time, interfere with LN DAS's operation of the Backhaul Network for purposes of facilitating the provision of telecommunication services. Owner shall have no obligation to maintain LN DAS's Infrastructure.

(b) Access. LN DAS shall provide to Owner notice at least five (5) days prior to commencing LN DAS's installation of the fiber in the Telecom Conduit. As used in this Agreement, "**Authorized Personnel**" means employees, engineers, technicians or contractors of LN DAS or of any Wireless Service Provider. All access to the Property by LN DAS or its Authorized Personnel shall be subject in each instance to the reasonable security requirements and reasonable rules and regulations from time to time in effect at the Building, of which Owner shall inform LN DAS in writing.

(c) Relocation. To ensure that LN DAS can exercise the rights granted in this paragraph, Owner shall not, without the prior written consent of LN DAS (such consent not to be unreasonably withheld), conduct any excavation, construct any permanent buildings or other improvements where the Telecom Conduit is located, unless Owner amends the Agreement to provide an alternative location on the Property for installation of the fiber in the Telecom Conduit for an identical use to that herein. Notwithstanding the foregoing, Owner shall have the right to use and improve the surface above the Telecom Conduit for parking areas, driveways, walkways, common areas, lawns and landscape areas and to install other temporary improvements. In the event LN DAS is required to relocate the LN DAS's Infrastructure to any alternative location as a result of Owner's actions or for other reasons caused by Owner, Owner shall reimburse LN DAS for all costs and expenses incurred by LN DAS for such relocation; provided, however, if Owner is required to relocate the Telecom Conduit for reasons caused by a third-party whereupon Owner is neither compensated nor reimbursed for the relocation costs incurred thereby, then LN DAS agrees to relocate the LN DAS's Infrastructure to an alternative location mutually agreed upon by the parties and Owner, at Owner's expense, shall relocate the Telecom Conduit. In connection with any relocation activities contemplated hereunder, Owner shall take commercially reasonable efforts to minimize any interference with LN DAS's operation of the Backhaul Network and Telecom Hotel and shall repair any damage caused to same. Owner shall have no obligation to maintain LN DAS's Infrastructure.

(d) Maintenance of Owner's Infrastructure. Owner shall be solely responsible, at its expense, for the maintenance of the Owner's Infrastructure (including the Telecom Conduit) directly with a nationally known telecommunications maintenance company as required herein. LN DAS shall have no obligation to maintain Owner's Infrastructure.

(e) Installation. All fiber optic cable installed and other work conducted within the Telecom Conduit or on the Property by LN DAS shall be installed and performed in a good and workmanlike manner, shall be routed and attached in accordance with the then current, state-of-the-art, best industry practices, and shall be tagged and indentified as belonging to LN DAS.

(f) Permits. All work by LN DAS shall be performed in compliance with applicable laws. Prior to the commencement of any installation, LN DAS shall, at its expense, obtain any licenses, permits, authorizations, consents and approvals required of any governmental agency, authority or unit having jurisdiction thereof for the commencement and prosecution of such work, and, upon completion, for the final approval of such work, and shall cause all such work to be performed in compliance therewith.

4. License of Owner's Infrastructure; Rebate.

(a) Grant of License. Subject to the terms and conditions of this Agreement, Owner hereby grants to LN DAS the right to connect LN DAS's Infrastructure with the Owner's Infrastructure at the Remote Head-End to allow for interconnection of the Wireless Service Providers with the In-Building DAS, for the transmission of communications signals from the Wireless Service Providers' networks to the In-Building DAS. LN DAS acknowledges that the rights created by this Agreement are license rights only and no leasehold, easement or any other interest is created by this Agreement.

(b) Rebate. LN DAS intends to enter into a separate DAS System License Agreement with each of the following providers of telecommunication services: SprintCom, Inc., Verizon Wireless Personal Communications LP and BellSouth Telecommunications, Inc., d/b/a AT&T Florida (each referred to as a "**Provider**" and collectively the "**Providers**"), for the participation of each Provider in the distributed antenna system described herein for the benefit of the Property. LN DAS agrees to deliver to Owner a rebate (on a per-Provider basis) if, and only if, the following conditions are satisfied as to each Provider (collectively, the "**Conditions**"):

(i) LN DAS shall have accepted the In-Building DAS in accordance with Section 2(a) above;

(ii) Owner shall have entered into, and shall continuously have in full force and effect during the Term (as defined herein), a binding, written Maintenance Agreement for the Owner's Infrastructure.

(iii) The Provider shall have completed the interconnection of its network from the Telecom Hotel to the In-Building DAS in accordance with the DAS System License Agreement entered into between such Provider and LN DAS.

The amount of the rebate payable to Owner on a per-Provider basis is more particularly described in the allocation schedule set forth in **Exhibit "D"** attached hereto and made a part hereof (each a "**Rebate**" and collectively the "**Rebates**") and shall be paid via wire transfer of immediately available funds no later than the date which is fifteen (15) days after the date all Conditions are satisfied as to each Provider. Owner agrees to pay any and all taxes or assessments payable on, or in connection with, the Rebate. Owner hereby acknowledges and agrees that (1) nothing contained herein shall be deemed a guaranty by LN DAS of a Rebate to Owner, and (2) the Rebate is subject to reimbursement in accordance with Section 10(n) below.

5. Term of Agreement.

(a) Term. The initial term of five (5) years shall commence upon LN DAS's initiation of construction of LN DAS's Infrastructure (including the fiber within the Telecom Conduit on the Property) (the "**Initial Term**"). The Agreement shall automatically renew for four (4) successive terms of five (5) years each (collectively, the "**Extension Terms**", and, together with the Initial Term, the "**Term**"), unless LN DAS provides Owner written notice of termination at least one hundred eighty (180) days prior to the expiration of the Initial Term or any Extension Term, whichever is applicable.

(b) Owner's Termination Right. Owner shall have the right to terminate this Agreement and the license granted herein by written notice delivered to LN DAS (i) in the event that LN DAS fails to fully install and make operational the LN DAS's Infrastructure on or before December 31, 2013; or (ii) upon written notice to LN DAS at least one hundred eighty (180) days prior to the end of the third Extension Term or any Extension Term thereafter, which termination shall be effective at the end of any then current Extension Term.

(c) End of Term. Owner acknowledges and agrees that all of LN DAS's Infrastructure shall remain the personal property of LN DAS and LN DAS shall have the right to remove the same at any time during the Term, whether or not said items are considered fixtures and attachments to real property under applicable laws.

6. Interference. It is the intent of the parties to operate the LN DAS's Infrastructure and Owner's Infrastructure as a unified, seamless, and functional distributed antenna system, free from radio frequency or other interference, interconnecting the Wireless Service Providers' networks via the Backhaul Network from the Telecom Hotel to the In-Building DAS on the Property. All operations by LN DAS shall be in compliance with all applicable laws, including without limitation, Federal Communications Commission rules and regulations. LN DAS shall use its commercially reasonable efforts to cause any Wireless Service Provider using the LN DAS's Infrastructure to be in compliance with all applicable laws, including without limitation, Federal Communications Commission rules and regulations with respect to such use of the of the LN DAS's Infrastructure. Owner shall not have any responsibility for the licensing, operation and/or maintenance of the LN DAS's Infrastructure. Each party agrees to only install or permit the installation of equipment on the Property (whether as part of the In-Building DAS or otherwise) of the type and frequency that will not cause harmful interference which is measurable in accordance with existing industry standards to any equipment of the other, priority being afforded to equipment that exists first-in-time. In the event any such after-installed equipment by either party causes such interference, and after the aggrieved party notifies the offending party in writing of such interference, the offending party shall take all steps necessary to correct and eliminate the interference within forty-eight (48) hours of such written notice. To the extent the offending party is unable to cure the interference within this timeframe, the offending party shall power down the interfering equipment, except for intermittent testing until such time as the interference is remedied. If the offending party is unable to cure the interference within thirty (30) days of receipt of written notice of such interference, then the offending party shall remove the equipment which caused the interference. Notwithstanding the foregoing, if the offending party is actively procuring a cure for the interference, but said interference cannot be cured within thirty (30) days of receipt of the written notice of such interference, then the

offending party shall have an additional thirty (30) days to pursue the cure during which the offending party shall not be required to remove the equipment that is causing the interference, but shall keep the interfering equipment powered down, except for intermittent testing, until the interference is cured. The parties acknowledge that there shall not be an adequate remedy at law for noncompliance with the provisions of this section, and therefore, either party shall have the right to equitable remedies, such as, without limitation, injunctive relief and specific performance. The remedies described in this Section 7 shall be the sole and exclusive remedies of the parties hereunder with respect to any claim of interference.

7. Subordination and Non-Disturbance. Within a reasonable period of time following the execution of this Agreement, Owner shall obtain a Non-Disturbance Agreement, as set forth below, from its existing mortgagees and ground lessors, if any, of the Property, for the benefit of LN DAS. The Non-Disturbance Agreement shall include the encumbering party's ("**Lender's**") agreement that, if Lender or its successor-in-interest or any purchaser of Lender's or its successor's interest (a "**Purchaser**") acquires an ownership interest in the Property, Lender or such successor-in-interest or Purchaser will not disturb LN DAS's rights under this Agreement so long as LN DAS is not in default of its obligations under this Agreement.

8. Insurance and Indemnity.

(a) Required Insurance. LN DAS shall, at LN DAS's sole cost and expense, procure and continue in force during the Term:

(i) workers' compensation insurance (at statutory limits); and

(ii) commercial general liability and property damage insurance (including completed operations and contractual liability) on an occurrence basis in at coverage amounts consistent with best industry standards in Florida for contractors and subcontractors performing services and work of the nature contemplated by this Agreement.

(b) Form of Policies. All policies shall be written by an insurer licensed to do business in Florida and shall provide that such coverage shall not be cancelled or materially, adversely changed without a minimum of 30 days written notice to Owner. The insurance described in (a -ii) above shall name Owner as an additional insured. LN DAS may procure and maintain such coverage required under Paragraph 8(a) under one or more blanket policies of insurance covering the Property and other locations of LN DAS, provided any such blanket policy specifically provides that the portion of the total coverage of such policy that is allocated to the Property is in the amounts required pursuant to this Paragraph 8.

(c) Evidence. LN DAS shall, and shall cause each approved contractor to, produce, prior to commencing any installation, repair, or maintenance work at the Property or entry onto the Property, a certificate or original insurance policy evidencing the existence of the insurance described in clauses (i) and (ii) of Paragraph 8(a).

(d) Mutual Release. LN DAS agrees that Owner and its directors, trustees, employees and agents (collectively, "**Owner Parties**") shall not be liable to LN DAS, and LN DAS hereby releases the Owner Parties, for any personal injury or damage to or loss of personal property in the Property from any cause whatsoever unless such damage, loss or injury is the result of the gross negligence or willful misconduct of the Owner Parties; and the Owner Parties shall not be liable to LN DAS for any such damage or loss whether or not the result of their gross negligence to the extent LN DAS is compensated therefore by LN DAS's insurance required to be maintained hereunder or actually maintained by LN DAS and Owner Parties shall in no event be liable to LN DAS for any consequential, exemplary or punitive damages in connection with the foregoing.

Owner agrees that LN DAS and its directors, employees and agents (collectively, "**LN DAS Parties**") shall not be liable to Owner, and Owner hereby releases the LN DAS Parties, for any personal injury or damage to or loss of personal property in the Property from any cause whatsoever unless such damage, loss or injury is the result of the gross negligence or willful misconduct of the LN DAS Parties; and the LN DAS Parties shall not be liable to Owner for any such damage or loss whether or not the result of their gross negligence to the extent Owner is compensated therefore by Owner's insurance maintained by Owner and LN DAS Parties shall in no event be liable to Owner for any consequential, exemplary or punitive damages in connection with the foregoing.

(e) Mutual Indemnity. LN DAS shall defend, indemnify and save harmless Owner Parties against and from all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable attorneys' fees actually incurred, which may be imposed upon or incurred by or asserted against the Owner Parties for (i) any work or act done in, on or about the Property or Building or any part thereof at the direction of LN DAS, its agents, contractors, subcontractors or employees, except if such work or act is done or performed by Owner Parties or their contractors, agents or employees; and (ii) any act or omission on the part of LN DAS or any of its agents, contractors, subcontractors or employees; excluding in each event for liability, obligations, damages, penalties, claims, costs, charges and expenses caused or resulting from the negligent acts or omissions or willful misconduct of Owner Parties or their contractors or subcontractors while acting within the scope of their employment or agency.

Owner shall defend, indemnify and save harmless LN DAS Parties against and from all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable attorneys' fees actually incurred, which may be imposed upon or incurred by or asserted against the LN DAS Parties for (i) any work or act done in, on or about the Property or Building or any part thereof at the direction of Owner, its agents, contractors, subcontractors or employees, except if such work or act is done or performed by LN DAS Parties or their contractors, agents or employees; and (ii) any act or omission on the part of Owner or any of its agents, contractors, subcontractors or employees; excluding in each event for liability, obligations, damages, penalties, claims, costs, charges and expenses caused or resulting from the negligent acts or omissions or willful misconduct of LN DAS Parties or their contractors or subcontractors while acting within the scope of their employment or agency. Notwithstanding anything contained herein to the contrary, Owner shall not be construed or interpreted as (1) denying any remedy or defense available to Owner under the laws of the State of Florida; (2) the consent of the State of Florida or its agents and agencies to be sued other than Owner; or (3) a waiver of sovereign immunity of the State of Florida beyond the waiver provided in Section 768.28, Florida Statutes.

9. Liens. LN DAS shall pay or cause to be paid all costs for work performed or materials provided by or at the direction of LN DAS or related to the LN DAS's Infrastructure. LN DAS shall not suffer or permit any mechanic's, laborer's, or materialman's lien to be filed against the Building and the Property or any part thereof by reason of work, labor, services, or materials requested and supplies claimed to have been requested by or for LN DAS or any approved contractor; and if such lien shall at any time be so filed, LN DAS shall cause it to be canceled and discharged of record (by bonding or otherwise), within 30 days after notice of the filing thereof, and LN DAS shall indemnify and hold harmless Owner from any loss incurred in connection therewith.

10. Miscellaneous.

(a) Recording. Owner agrees to execute a memorandum of this Agreement, the form of which is set forth in **Exhibit "E"** hereto, which LN DAS may, at is sole cost and expense, record in the appropriate public records.

(b) Taxes. LN DAS shall pay any personal property taxes, assessments, or charges owed on the LN DAS's Infrastructure, and Owner shall pay any personal property taxes, assessments, or charges owed on the Owner's Infrastructure. Owner and LN DAS shall each be responsible for the payment of any taxes, levies, assessments and other charges imposed including franchise and similar taxes imposed upon the business conducted by Owner or LN DAS, as applicable, at the Property. Owner shall pay any personal property, real estate taxes, assessments, or charges owed on the Property and shall do so prior to the imposition of any lien on the Property.

(c) Notices. Any notices and deliveries which may be permitted or required hereunder must be in writing and addressed to the parties as set forth below, or to such other addresses within the continental United States (excluding post office boxes) as any party may designate to the other by notice. All notices and deliveries must be sent by one of the following means: (a) personal delivery, (b) nationally-recognized overnight courier (for example, Federal Express), or (c) United States Postal Service certified mail, postage prepaid, return receipt requested. Notices that are personally delivered, delivered by nationally-recognized overnight courier, or mailed are deemed received upon actual delivery. If any receiving party rejects or refuses to accept any notice, or if a notice is undeliverable because the receiving party has changed its address without providing notice of such change, that party will be deemed to have received the notice as of the date of the first attempted delivery by personal delivery, overnight courier, or USPS, as the case may be.

LN DAS's Address:

LN DAS, LLC
9801 Lake Nona Road
Orlando, FL 32827
Attn: Michael Voll

Owner's Address:

University of Central Florida Foundation
12424 Research Parkway, Suite 140
Orlando, Florida 32826
Attn: Mr. Robert Holmes, Chief Executive, and
Margaret Cole, General Counsel

University of Central Florida
400 Central Florida Boulevard
Millican Hall, Suite 360
Orlando, Florida 32816-0015
Attn: Tony Waldrop, Provost, and
W. Scott Cole, Vice President and General Counsel

(d) No Partnership. Nothing contained in this Agreement shall be deemed or construed to create a partnership or joint venture of or between LN DAS and Owner.

(e) Governing Law. This Agreement shall be governed, interpreted, construed and regulated by the laws of the State of Florida, without regard to its principles governing conflicts of law, and applicable federal laws.

(f) Third Party Beneficiaries. No non-party is intended to be or shall be a third-party beneficiary of this Agreement, except for those limited third-party beneficiary rights established in favor of the Wireless Service Providers under Section 10(n) below.

(g) Binding Effect. This Agreement inures to the benefit of and is binding upon the parties hereto and their respective successors and assigns. LN DAS may not assign this Agreement without the prior written consent of Owner, which such consent shall not be unreasonably withheld. LN DAS may assign this Agreement and its rights to any person or business entity which is an Affiliate of LN DAS without the prior consent of Owner. For purposes of this section, an "**Affiliate**" is any corporation or other entity which (i) directly or indirectly (through one or more subsidiaries) controls LN DAS, or (ii) is controlled directly or indirectly (through one or more subsidiaries) by LN DAS, or (iii) is under the common control directly or indirectly (through one or more subsidiaries) with LN DAS by the same parent corporation or other entity, or (iv) is the successor or surviving entity by a merger or consolidation of any such entity pursuant to applicable law, or (v) purchases all or substantially all of the assets of LN DAS as a going concern.

(h) Entire Agreement. This Agreement is the final, complete, and exclusive statement of the parties' intent and agreement, with respect to the subject matter hereof, and supersedes any written or oral representations, statements or agreements that may have been made or given by either party prior to or contemporaneously with the execution and delivery of this Agreement.

(i) Amendment. This Agreement may be amended only by written instrument signed by each of the parties.

(j) Severability. If any provision of this Agreement is found to be unenforceable or void, the offending provision is to be construed as valid and enforceable only to the extent permitted by law, and the remainder of this Agreement will remain in full force and effect.

(k) Litigation and Attorneys' Fees. In the event that either party finds it necessary to employ an attorney to enforce any provision of this Agreement, the predominantly prevailing party will be entitled to recover from the other party its reasonable attorneys' fees and costs incurred in connection therewith (including costs of collection), at both trial and appellate levels; including bankruptcy proceedings, in addition to any remedies to which such party may be entitled. The requirement to pay the predominantly prevailing party's reasonable attorneys fees and costs shall survive any termination of this Agreement. Nothing herein shall serve as a waiver or limitation of any defenses of University of Central Florida, on behalf of its Board of Trustees, pursuant to Section 768.28, Florida Statutes.

(l) Counterparts. This Agreement may be executed in two or more counterparts, each of which is deemed to be an original, but all of which together constitute one and the same instrument.

(m) Cooperation. Owner covenants and agrees that it will, at any time and from time to time, upon request of LN DAS, to work in good faith with LN DAS to provide for the interconnection of the Wireless Service Providers' networks via the Backhaul Network from the Telecom Hotel to the In-Building DAS on the Property or other in-building DAS on other properties. The grant of any licenses, easements or other rights of way shall be issued and agreed upon in Owner's reasonable discretion; provided, however, a decision to not provide such access shall not be a breach of this Agreement if such access is denied because such access is not required for the interconnection of the Wireless Service Providers' networks via the Backhaul Network from the Telecom Hotel to the In-Building DAS on the Property. Further, such rights or access shall not impose any additional costs on Owner and do not have a materially adverse impact on Owner's development and use of the Property. In the event the Property or Building is sold to a third-party, Owner agrees to cause such third-party to enter into an assignment of this Agreement evidencing its agreement to be bound by all the terms and provisions hereof.

(n) Default and Right to Cure.

(i) Default by Owner. In the event Owner fails to perform any obligation hereunder, or breaches any terms or provisions hereof, within thirty (30) days after receipt of written notice from LN DAS specifying such failure or breach, and such default is not cured within said thirty (30) day period, then LN DAS shall have the right to exercise any and all rights and remedies available to it under law and equity including, without limitation, the right to terminate this Agreement, to cure Owner's default, at LN DAS's cost to be reimbursed by Owner within thirty (30) days after receipt of written invoice from LN DAS detailing the actual, reasonable costs incurred thereby, and to suspend or discontinue telecommunication services to Owner provided through the In-Building DAS.

Owner hereby acknowledes and agrees that LN DAS and the Wireless Service Providers are placing material reliance on Owner's agreement to perform its obligations hereunder including, without limitation, the obligation to enter into, and continually keep in full force and effect during the term hereof, a Maintenance Agreement, and that any default by Owner hereunder will cause substantial injury and harm to LN DAS and the Wireless Service Providers for which monetary damages alone may be insufficient. In the event of a default by Owner, Owner acknowledges and agrees that the Wireless Service Providers shall be deemed third-party beneficiaries and shall be afforded all rights and remedies afforded to LN DAS as described hereunder.

All remedies available to LN DAS and the Wireless Service Providers shall be cumulative and non-exclusive (except for the refund of the Rebate(s) described in subparagraph (iii) below).

(ii) Default by LN DAS. In the event LN DAS fails to perform any covenant, agreement or obligation hereunder within thirty (30) days after receipt of written notice from Owner specifying such failure, and such default is not cured within said thirty (30) day period, then Owner shall have: (i) the right to sue for specific performance, or (ii) terminate this Agreement

(iii) Refund of Rebate(s) Upon Termination During the Initial Term. Owner hereby acknowledges and agrees that the Rebate(s) represent full and fair consideration for the license rights granted pursuant to Section 4(a) and that LN DAS and the Wireless Service Providers are placing material reliance on such license rights being available during the Initial Term and any Extension Term for the purposes contemplated hereunder, and that any termination of this Agreement prior to the expiration of the unexpired Initial Term (other than due to an event of default by LN DAS), will cause substantial injury and harm to LN DAS and the Wireless Service Providers for which monetary damages alone may be insufficient. In the event of any termination of this Agreement during the Initial Term, LN DAS (and the Wireless Service Providers, as intended third party beneficiaries) shall be entitled to receive a portion of the Rebate, within fifteen (15) days after such termination, calculated on a pro-rata sliding scale basis as follows: if during year 1 of the Initial Term, Owner shall refund 80% of the Rebate; if during year 2 of the Initial Term, Owner shall refund 60% of the Rebate; if during year 3 of the Initial Term, Owner shall refund 40% of the Rebate, if during year 4 of the Initial Term, Owner shall refund 20% of the Rebate; if during year 5 of the Initial Term, Owner shall refund 10% of the Rebate but for all years during the Term thereafter, Owner shall have no obligation to refund any portion of the Rebate. In the event that any Wireless Service Providers have exercised their third-party beneficiary rights hereunder, such party shall be entitled to receive that portion of the refund payable to LN DAS allocated to such provider as described in **Exhibit "C"** hereto whereupon the total amount of the refund payable to LN DAS hereunder shall be reduced by such amount.

(o) Time of the Essence. Time is of the essence of this Agreement.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES]

IN WITNESS WHEREOF, this Agreement has been duly executed on this ______ day of ______________________________, 2012.

"LN DAS"

Witnesses:

LN DAS, LLC,
a Florida limited liability company

____
Print Name:____________________

By: ___________________________
James L. Zboril, President

____
Print Name:____________________

STATE OF FLORIDA)
)
COUNTY OF ORANGE)

The foregoing instrument was acknowledged before me this _____ day of ______________, 2012, by James L. Zboril, as President of **LN DAS, LLC**, a Florida limited liability company, on behalf of the company. He is personally known to me or has produced ____ as identification.

____
Print Name:____________________
Notary Public, State of Florida
Commission No.:________________
My Commission Expires:__________

4853-1861-0960.4_31762/0167

"OWNER"

Signed, sealed and delivered
in the presence of:

UNIVERSITY OF CENTRAL FLORIDA REAL ESTATE FOUNDATION, LLC, a Florida limited liability company

____

Print Name:_____________________

By:_____________________________
Name:___________________________
Title:____________________________

____

Print Name:_____________________

STATE OF FLORIDA)
)
COUNTY OF ORANGE)

The foregoing instrument was acknowledged before me this _____ day of _____________, 2012, by ______________________, as ________________________ of University of Central Florida Real Estate Foundation, LLC, a Florida limited liability company, on behalf of the company. He/She is personally known to me or has produced ____ as identification.

____
Print Name:______________________
Notary Public, State of Florida
Commission No.:__________________
My Commission Expires:___________

Signed, sealed and delivered in the presence of the following witnesses:

UNIVERSITY OF CENTRAL FLORIDA, a state university organized and existing under the laws of the State of Florida

____
Print Name:________________________

By:________________________
William F. Merck II, Vice President for Administration & Finance

____
Print Name:________________________

Executed on:__________________

STATE OF FLORIDA)
)
COUNTY OF ORANGE)

The foregoing instrument was acknowledged before me this _____ day of _____________, 2012, by William F. Merck II, as Vice President for Administration & Finance of University of Central Florida, a state university organized and existing under the laws of the State of Florida, on behalf of the University. He is personally known to me or has produced ____ as identification.

____
Print Name:______________________
Notary Public, State of Florida
Commission No.:___________________
My Commission Expires:_____________

Exhibit "A"

LAND

LAKE NONA SOUTH UCF (WEST PARCEL):

That part of Section 26, Township 24 South, Range 30 East, Orange County, Florida, described as follows:

Commence at the Southeast corner of the Southeast 1/4 of said Section 26; thence N89°17'38"W along the South line of the Southeast 1/4 of said Section 26 for a distance of 371.16 feet; thence N43°43'49"E, 229.28 feet; thence N30°56'19"E, 288.27 feet; thence N47°29'38"W, 18.00 feet; thence N40°26'49"W, 200.13 feet; thence N26°23'48"W, 360.97 feet; thence S27°24'00"W, 61.96 feet; thence N34°54'59"W, 352.22 feet; thence N25°05'40"E, 127.07 feet; thence N56°41'49"W, 225.45 feet; thence N14°57'30"W, 18.00 feet; thence N75°02'30"E, 14.55 feet; thence N14°57'30"W, 60.00 feet to the POINT OF BEGINNING; thence S75°02'30"W, 205.56 feet to the point of curvature of a curve concave Southerly having a radius of 780.00 feet and a chord bearing of S71°47'07"W; thence Westerly along the arc of said curve through a central angle of 06°30'47" for a distance of 88.67 feet to the point of tangency; thence S68°31'43"W, 184.19 feet to the point of curvature of a curve concave Northerly having a radius of 729.00 feet and a chord bearing of S86°54'39"W; thence Westerly along the arc of said curve through a central angle of 36°45'51" for a distance of 467.77 feet to the point of tangency; thence N74°42'25"W, 270.45 feet to the point of curvature of a curve concave Southerly having a radius of 800.00 feet and a chord bearing of N75°43'12"W; thence Westerly along the arc of said curve through a central angle of 02°01'33" for a distance of 28.29 feet to the point of reverse curvature of a curve concave Northerly having a radius of 800.00 feet and a chord bearing of N75°43'12"W; thence Westerly along the arc of said curve through a central angle of 02°01'33" for a distance of 28.29 feet to the point of tangency; thence N74°42'25"W, 5.00 feet to the point of curvature of a curve concave Southerly having a radius of 425.00 feet and a chord bearing of N75°48'47"W; thence Westerly along the arc of said curve through a central angle of 02°12'44" for a distance of 16.41 feet to the point of reverse curvature of a curve concave Northeasterly having a radius of 40.00 feet and a chord bearing of N36°14'53"W; thence Northwesterly along the arc of said curve through a central angle of 81°20'31" for a distance of 56.79 feet to the point of tangency; thence N04°25'22"E, 29.85 feet to the point of curvature of a curve concave Westerly having a radius of 430.00 feet and a chord bearing of N01°10'12"E; thence Northerly along the arc of said curve through a central angle of 06°30'21" for a distance of 48.83 feet to the point of tangency; thence N02°04'59"W, 450.70 feet to the point of curvature of a curve concave Southeasterly having a radius of 40.00 feet and a chord bearing of N41°51'21"E; thence Northeasterly along the arc of said curve through a central angle of 87°52'39" for a distance of 61.35 feet to the point of reverse curvature of a curve concave Northerly having a radius of 1850.00 feet and a chord bearing of N78°44'05"E; thence Easterly along the arc of said curve through a central angle of 14°07'10" for a distance of 455.90 feet to the point of tangency; thence N71°40'30"E, 54.22 feet to the point of curvature of a curve concave Northwesterly having a radius of 1976.87 feet and a chord bearing of N62°57'10"E; thence Northeasterly along the arc of said curve through a central angle of 17°26'40" for a distance of 601.89 feet to the point of reverse curvature of a curve concave Southerly having a radius of 40.00 feet and a chord bearing of S81°56'05"E; thence Easterly along the arc of said curve through a central angle of 87°40'12" for a distance of 61.21 feet to the point of tangency; thence S38°05'59"E, 266.99 feet; thence S42°33'20"E, 154.46 feet; thence S38°05'59"E, 480.65 feet to the point of curvature of a curve concave Westerly having a radius of 40.00 feet and a chord bearing of S15°50'09"W; thence Southerly along the arc of said curve through a central angle of 107°52'16" for a distance of 75.31 feet to the point of tangency; thence S69°46'17"W, 344.39 feet to the point of curvature of a curve concave Northerly having a radius of 624.00 feet and a chord bearing of S72°24'24"W; thence Westerly along the arc of said curve through a central angle of 05°16'13" for a distance of 57.40 feet to the POINT OF BEGINNING.

TOGETHER WITH:

LAKE NONA SOUTH UCF (EAST PARCEL):

That part of Sections 25 and 26, Township 24 South, Range 30 East, Orange County, Florida, described as follows:

Commence at the Southeast corner of the Southeast 1/4 of said Section 26; thence N89°17'38"W along the South line of the Southeast 1/4 of said Section 26 for a distance of 371.16 feet; thence N43°43'49"E, 229.28 feet; thence N30°56'19"E, 288.27 feet; thence N47°29'38"W, 18.00 feet; thence N40°26'49"W, 200.13 feet; thence N26°23'48"W, 360.97 feet; thence S27°24'00"W, 61.96 feet; thence N34°54'59"W, 352.22 feet; thence N25°05'40"E, 127.07 feet; thence N56°41'49"W, 225.45 feet; thence N14°57'30"W, 18.00 feet; thence N75°02'30"E, 14.55 feet to the point of curvature of a curve concave Northerly having a radius of 684.00 feet and a chord bearing of N72°24'24"E; thence Easterly along the arc of said curve through a central angle of 05°16'13" for a distance of 62.92 feet to the point of tangency; thence N69°46'17"E, 396.18 feet to the point of curvature of a curve concave Southerly having a radius of 3250.00 feet and a chord bearing of N71°08'11"E; thence Easterly along the arc of said curve through a central angle of 02°43'49" for a distance of 154.86 feet to a non-tangent line; thence N17°29'55"W, 60.00 feet to a point on a non-tangent curve concave Northerly having a radius of 40.00 feet and a chord bearing of N72°47'57"W and to the POINT OF BEGINNING; thence Westerly along the arc of said curve through a central angle of 69°23'56" for a distance of 48.45 feet to the point of tangency; thence N38°05'59"W, 591.98 feet to the point of curvature of a curve concave Easterly having a radius of 40.00 feet and a chord bearing of N05°20'45"E; thence Northerly along the arc of said curve through a central angle of 86°53'27" for a distance of 60.66 feet to the point of reverse curvature of a curve concave Northwesterly having a radius of 2356.87 feet and a chord bearing of N38°06'57"E; thence Northeasterly along the arc of said curve through a central angle of 21°21'03" for a distance of 878.27 feet to a non-tangent line; thence S68°16'58"E, 405.02 feet; thence N90°00'00"E, 235.12 feet; thence S00°00'00"W, 890.50 feet to the point of curvature of a curve concave Northwesterly having a radius of 40.00 feet and a chord bearing of S42°31'46"W; thence Southwesterly along the arc of said curve through a central angle of 85°03'33" for a distance of 59.38 feet to the point of reverse curvature of a curve concave Southerly having a radius of 3310.00 feet and a chord bearing of S78°46'49"W; thence Westerly along the arc of said curve through a central angle of 12°33'27" for a distance of 725.46 feet to the POINT OF BEGINNING.

EXHIBIT "B"

DAS SYSTEM ACCEPTANCE CRITERIA

Verizon:

The DAS System will be ready to accept signals from Verizon. The coverage area as depicted in the pages following will support the Verizon services and technologies specified below with 95% coverage at the specified levels specified below.

The specified levels are as follows:

The system will support the 700MHz LTE band with the following technologies and their specified coverage requirements:

SISO Technology with 1 carrier, 0 dB of backoff power, and -70 RSSI

The system will support the PCS1900 band with the following technologies and their specified coverage requirements:

SISO Technology with 4 carriers, 0 dB of backoff power, and -85 RSSI

Sprint:

The DAS System will be ready to accept signals from Sprint. The coverage area as depicted in the pages following will support the Sprint services and technologies specified below with 95% coverage at the specified levels specified below.

The specified levels are as follows:

The system will support the LMR800 band with the following technologies and their specified coverage requirements:

SISO Technology with 12 carriers, 0 dB of backoff power, and -85 RSSI

The system will support the SMR900 band with the following technologies and their specified coverage requirements:

SISO Technology with 12 carriers, 0 dB of backoff power, and -85 RSSI

The system will support the PCS1900 band with the following technologies and their specified coverage requirements:

SISO Technology with 4 carriers, 6 dB of backoff power, and -85 RSSI

AT&T:
The DAS System will be ready to accept signals from AT&T. The coverage area as depicted in the pages following will support the AT&T services and technologies specified below with 95% coverage at the specified levels specified below.

The specified levels are as follows:

The system will support the 700MHz LTE band with the following technologies and their specified coverage requirements:

SISO Technology with 1 carrier, 0 dB of backoff power, and -70 RSSI

The system will support the CELL850 band with the following technologies and their specified coverage requirements:

SISO Technology with 4 carriers, 0 dB of backoff power, and -85 RSSI

The system will support the PCS1900 band with the following technologies and their specified coverage requirements:

SISO Technology with 1 carrier, 8 dB of backoff power, and -85 RSSI

Exhibit "C"
Location of LN DAS's Infrastructure

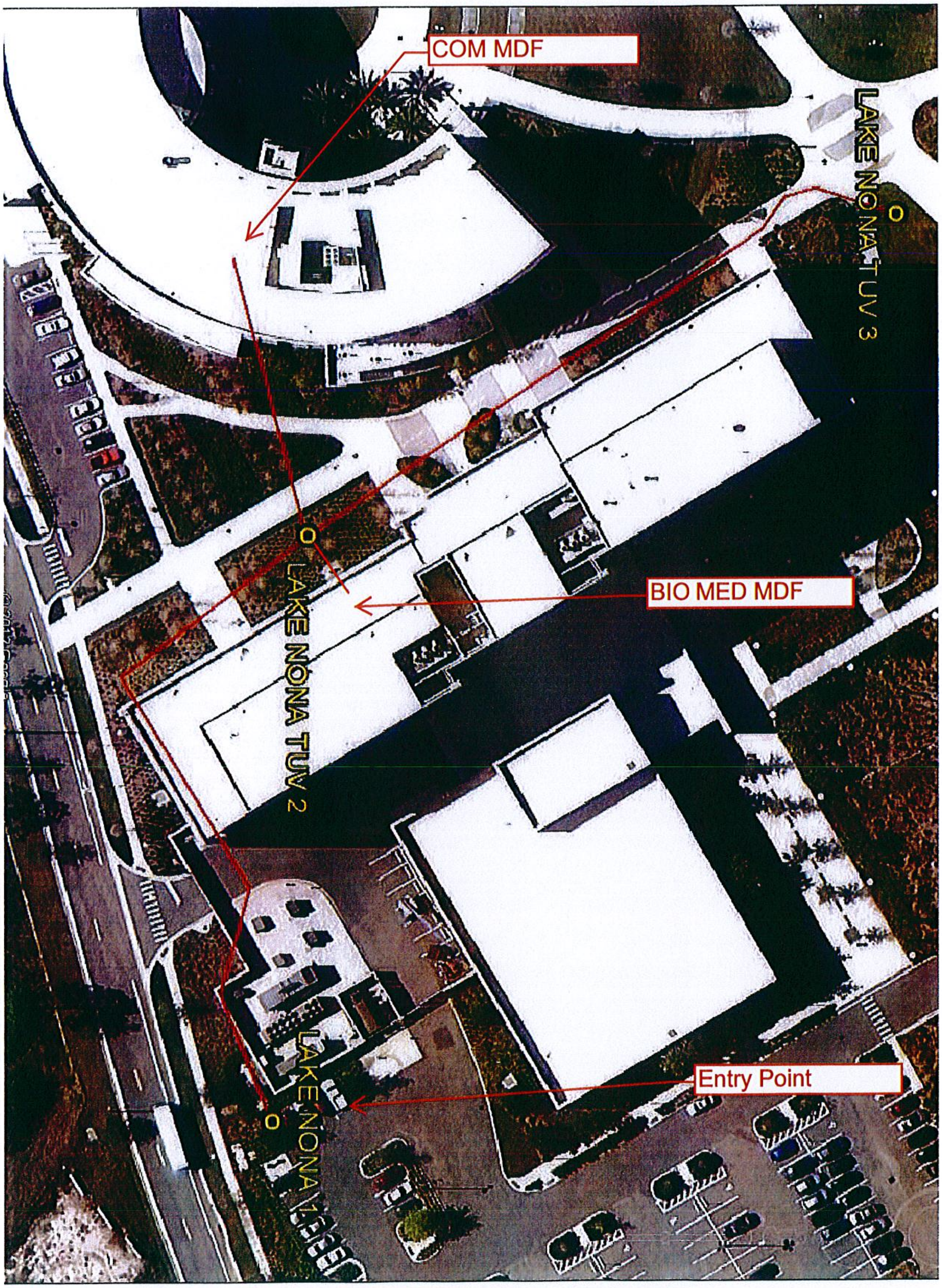


EXHIBIT "D"

REBATES

Verizon:	$66,198.00
Sprint:	$66,198.00
AT&T:	$66,198.00

Exhibit "E"
Form of Memorandum of License Agreement

After recording return to:
Sara W. Bernard, Esquire
Broad and Cassel
Bank of America Center
Post Office Box 4961
Orlando, Florida 32802

MEMORANDUM OF LICENSE AGREEMENT

This Memorandum of License Agreement (this "**Memorandum**"), dated to be effective as of ____________________, 2012, is entered into by and among **UNIVERSITY OF CENTRAL FLORIDA REAL ESTATE FOUNDATION, LLC**, a Florida limited liability company, whose address is 4000 Central Florida Boulevard, Millican Hall, Suite 360, Orlando, Florida 32816-0015, and **UNIVERSITY OF CENTRAL FLORIDA,** on behalf of its Board of Trustees, whose address is c/o UCF Foundation, 12424 Research Parkway, Suite 250, Orlando, Florida 32826-3257 (collectively, the "**Owner**"), and **LN DAS, LLC,** a Florida limited liability company ("**LN DAS**").

RECITALS:

A. Owner is the fee simple owner and lessee of certain improved real property located in Orlando, Florida, which real property is more particularly described on **Exhibit "A"** attached hereto and incorporated by reference herein (the "**Land**"). The Land is improved with certain buildings currently being operated and used by Owner as a pediatric hospital (the "**Buildings**"; and, together with the Land, the "**Property**").

B. The Property is part of the Lake Nona DRI development (the "**Project**"). LN DAS controls certain parcels of property within the Project, through easements with the developer of the Project, including easements immediately adjacent to the Property (the "**LN DAS's Property**").

C. LN DAS and Owner have executed a certain License Agreement on or about the date hereof (the "**Agreement**"), which Agreement governs the parties' respective rights and responsibilities regarding the construction, installation, interconnection, and operation of an DAS on the Property.

D. The parties have executed this Memorandum to be recorded in the Official Records of Orange County, Florida, to evidence the existence and certain terms set forth in the Agreement.

NOW THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars, in hand paid, the mutual premises of this Agreement, and other good and valuable consideration, the receipt, sufficiency, and adequacy of which are hereby acknowledged, the parties agree as follows:

1. LN DAS's Infrastructure. The Agreement grants, subject to the terms and conditions set forth therein, LN DAS a license to install, maintain, repair, and operate, at LN DAS's sole cost and expense, communications infrastructure and facilities on the Property in the locations shown on **Exhibit "B"** attached hereto and made a part hereof, all of which constitute "**LN DAS's Infrastructure**", as such term is defined in the Agreement. LN DAS's Infrastructure shall be owned by LN DAS. LN DAS also has the right, subject to the terms and conditions set forth in the Agreement, at LN DAS's sole cost and expense, to maintain, repair, replace and upgrade the LN DAS's Infrastructure at any time and from time to time, and in so doing to access the Property and LN DAS's Infrastructure seven (7) days a week, twenty four (24) hours a day.

2. License of Owner's Infrastructure. The Agreement further grants to LN DAS the right to interconnect LN DAS's Infrastructure with Owner's In-Building DAS via the Remote Head-End (as such term is defined in the Agreement) and to interconnect the Wireless Carriers (as such term is defined in the Agreement) with Owner's In-Building DAS for the transmission of communications signals from the Wireless Carriers' network, to the In-Building DAS (as such term is defined in the Agreement), all subject to the terms and conditions of the Agreement.

3. Term of Agreement. The Agreement is effective as of the date of execution by both parties, and will continue for an initial term of five (5) years thereafter (the "**Initial Term**"). The Agreement will automatically renew for four (4) successive five (5) year terms (the "**Extension Terms**", and, together with the Initial Term, the "**Term**"), unless LN DAS provides Owner written notice of termination at least 180 days prior to the then-current expiration of the Term. Owner has certain termination rights as set forth in the Agreement, including the right to terminate the Agreement at any time after December 31, 2013, at the end of the then current Extension Term, on at least 180 days prior notice to LN DAS. Following the termination of the Agreement, Owner shall have the right to execute and file a termination of license notice, without the need for such to be executed by LN DAS.

4. Purpose. This Memorandum is prepared for the purpose of recordation only, and it in no way modifies the provisions of the Agreement. In the event of any inconsistency between the provisions of this Memorandum and the Agreement, the provisions of the Agreement shall prevail.

(Signatures commence on the next page.)

Exhibit "A" - Land
Exhibit "B" - Locations of LN DAS's Infrastructure

IN WITNESS WHEREOF, this Memorandum has been duly executed on this ______ day of ____________, 2012.

Witnesses:

____
Name: ________________

____
Name: ________________

LN DAS, LLC,
a Florida limited liability company

By: ________________________
Print Name: _________________
Title: ______________________

STATE OF FLORIDA
COUNTY OF ORANGE

The foregoing instrument was acknowledged before me this ______ day of ____________, 2012, by ______________________, the ______________________ of LN DAS, LLC, on behalf of said company. ________________ has produced ________________________________ as identification.

(SEAL)

____
Notary Public - State of Florida

Commission Number: ___________

"OWNER"

Signed, sealed and delivered
in the presence of:

UNIVERSITY OF CENTRAL FLORIDA REAL ESTATE FOUNDATION, LLC, a Florida limited liability company

____

Print Name:______________________

By:______________________________
Name:____________________________
Title:_____________________________

____

Print Name:______________________

STATE OF FLORIDA)
)
COUNTY OF ORANGE)

The foregoing instrument was acknowledged before me this _____ day of _____________, 2012, by ______________________, as ________________________ of University of Central Florida Real Estate Foundation, LLC, a Florida limited liability company, on behalf of the company. He/She is personally known to me or has produced ________________________________ as identification.

____
Print Name:______________________
Notary Public, State of Florida
Commission No.:__________________
My Commission Expires:____________

Signed, sealed and delivered in the presence of the following witnesses:

UNIVERSITY OF CENTRAL FLORIDA, a state university organized and existing under the laws of the State of Florida

____
Print Name:________________________

By:________________________
William F. Merck II, Vice President for Administration & Finance

____
Print Name:________________________

Executed on:____________________

STATE OF FLORIDA)
)
COUNTY OF ORANGE)

The foregoing instrument was acknowledged before me this _____ day of ______________, 2012, by William F. Merck II, as Vice President for Administration & Finance of University of Central Florida, a state university organized and existing under the laws of the State of Florida, on behalf of the University. He is personally known to me or has produced ____ as identification.

____
Print Name:________________________
Notary Public, State of Florida
Commission No.:____________________
My Commission Expires:_______________

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

Information regarding the discretely presented component units, including summaries of their 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. MD&A information for the discretely presented component units is included in their separately issued audit reports.

FINANCIAL HIGHLIGHTS

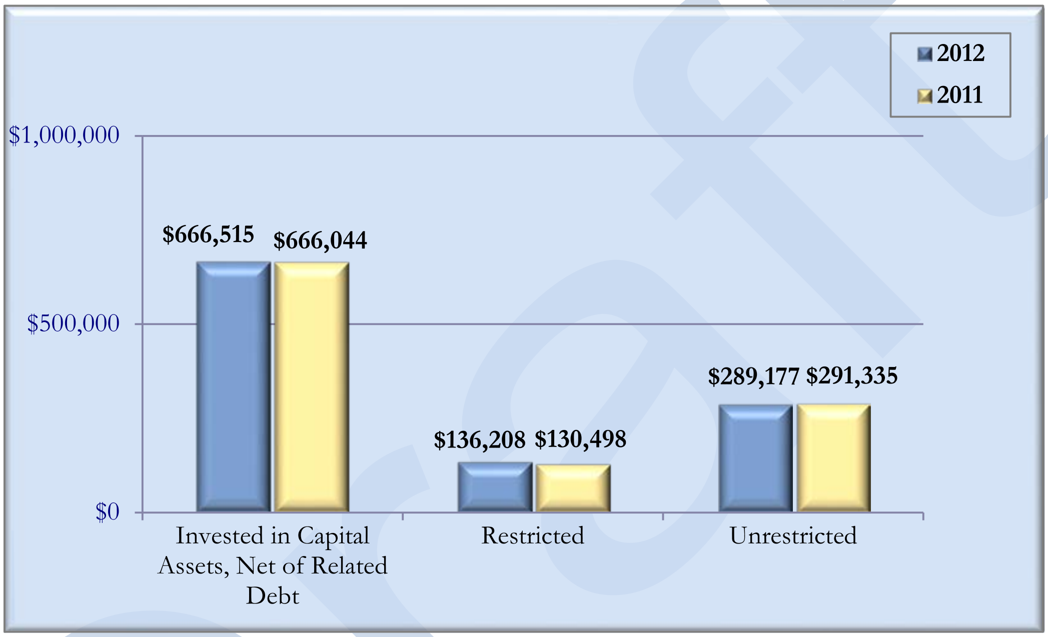
The University's assets totaled $1.5 billion at June 30, 2012. This balance reflects a $56.8 million, or 4.1 percent increase as compared to June 30, 2011, primarily due to an increase in cash and investments from the investment of proceeds from debt issued during fiscal year 2011-12. Liabilities increased by a slightly lesser amount of $52.8 million, or 17.3 percent, totaling $358.5 million at June 30, 2012, as compared to $305.7 million at June 30, 2011. The primary reason for the increase is due to an increase in debt payable of $33.1 million for the construction and improvement of student housing. As a result, the University's net assets increased by $4.0 million, resulting in a year-end balance of $1.1 billion.

The University's operating revenues totaled $417.4 million for the 2011-12 fiscal year, representing a 13.2 percent increase over the 2010-11 fiscal year due mainly to an increase in student tuition and fees, net of scholarship allowances. Operating expenses totaled $760.4 million for the 2011-12 fiscal year, representing a slight increase of 1.3 percent over the 2010-11 fiscal year.

Net nonoperating revenues totaled $338.5 million for the 2011-12 fiscal year, representing a 17.4 percent decrease from the 2010-11 fiscal year due to a decrease in the following: State non-capital appropriations, Federal and State Student Financial Aid, Federal Stimulus Support, investment income and the write off of previously capitalized fixed assets.

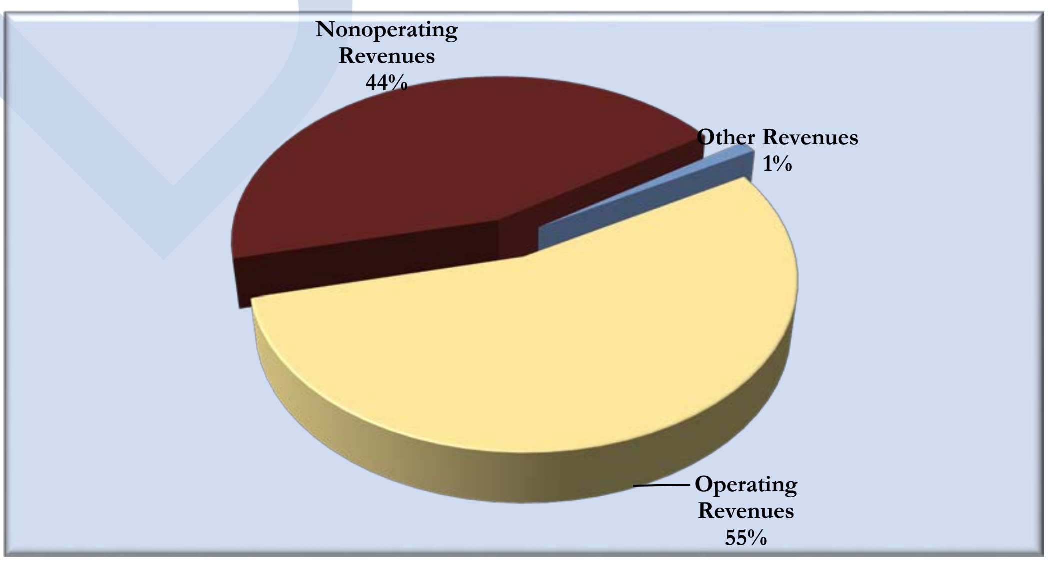
Net assets represent the residual interest in the University's assets after deducting liabilities. The University's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

Net Assets
(In Thousands)



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

Total Revenues



The Statement of Net Assets

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

The following summarizes the University's assets, liabilities, and net assets at June 30:

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

	2012	2011
Assets		
Current Assets	$ 485,149	$ 479,580
Capital Assets, Net	829,362	841,578
Other Noncurrent Assets	135,908	72,415
Total Assets	1,450,419	1,393,573
Liabilities		
Current Liabilities	66,028	67,233
Noncurrent Liabilities	292,491	238,463
Total Liabilities	358,519	305,696
Net Assets		
Invested in Capital Assets, Net of Related Debt	666,515	666,044
Restricted	136,208	130,498
Unrestricted	289,177	291,335
Total Net Assets	$ 1,091,900	$ 1,087,877

Total assets as of June 30, 2012 increased by $56.8 million, or 4.1 percent. Other noncurrent assets increased by $63.5 million primarily from an increase in restricted investments from the investment of debt proceeds issued during the 2011-12 fiscal year. Total liabilities increased by $52.8 million, or 17.3 percent. Noncurrent liabilities increased by $54.0 million, $33.1 million related to the debt issued to construct and improve student housing and $10.0 million related to an increase in other post-employment benefit obligations.

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

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

The following summarizes the University's activity for the 2011-12 and 2010-11 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(In Thousands)

	2011-12	2010-11
Operating Revenues	$ 417,401	$ 368,802
Operating Expenses	760,403	750,469
Operating Loss	(343,002)	(381,667)
Net Nonoperating Revenues	338,479	409,704
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(4,523)	28,037
Other Revenues, Expenses, Gains, or Losses	8,546	39,661
Net Increase In Net Assets	4,023	67,698
Net Assets, Beginning of Year	1,087,877	1,020,179
Net Assets, End of Year	$ 1,091,900	$ 1,087,877

Operating Revenues

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

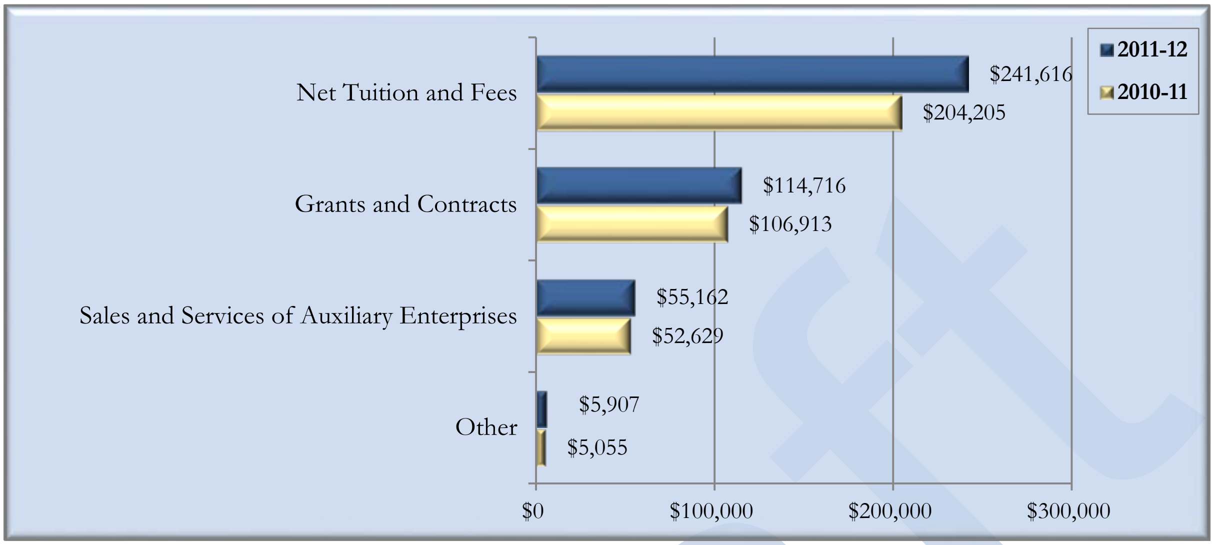
The following summarizes the operating revenues by source that were used to fund operating activities for the 2011-12 and 2010-11 fiscal years:

Operating Revenues
(In Thousands)

	2011-12	2010-11
Net Tuition and Fees	$ 241,616	$ 204,205
Grants and Contracts	114,716	106,913
Sales and Services of Auxiliary Enterprises	55,162	52,629
Other	5,907	5,055
Total Operating Revenues	$ 417,401	$ 368,802

The following chart presents the University's operating revenues for the 2011-12 and 2010-11 fiscal years:

Operating Revenues
(In Thousands)



Total operating revenues increased $48.6 million, or 13.2 percent. Net student tuition and fees increased 18.3 percent. The increase was due to both an increase in enrollment of approximately 4 percent as well as an increase in the University's undergraduate tuition and fee rates of approximately 11 percent.

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 assets and has displayed the functional classification in the notes to financial statements.

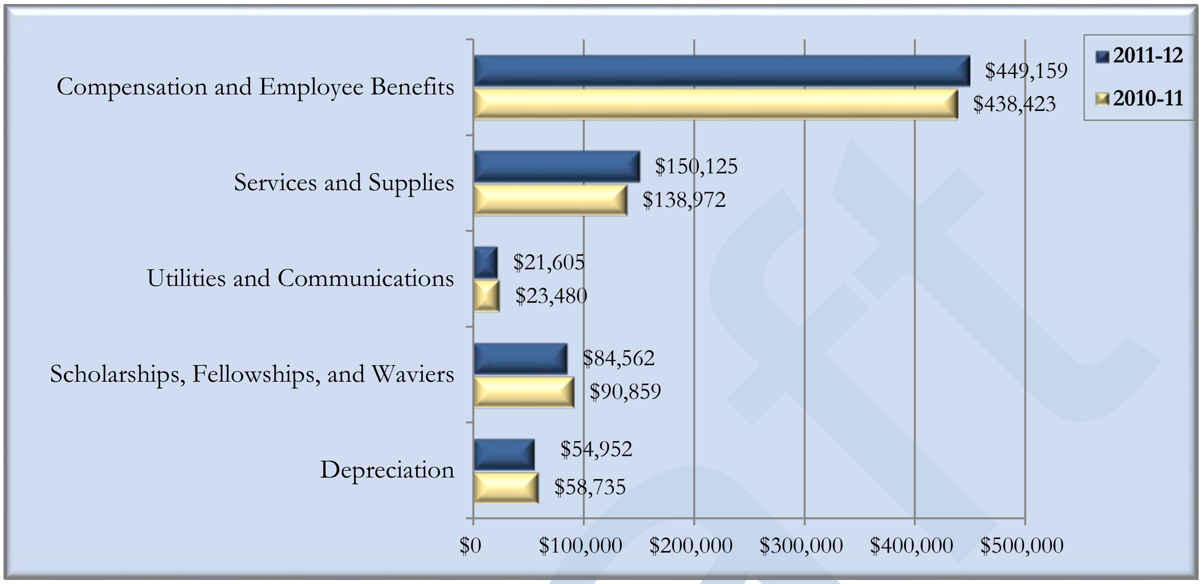
The following summarizes the operating expenses by natural classifications for the 2011-12 and 2010-11 fiscal years:

Operating Expenses
(In Thousands)

	2011-12	2010-11
Compensation and Employee Benefits	$ 449,159	$ 438,423
Services and Supplies	150,125	138,972
Utilities and Communications	21,605	23,480
Scholarships, Fellowships, and Waivers	84,562	90,859
Depreciation	54,952	58,735
Total Operating Expenses	$ 760,403	$ 750,469

The following chart presents the University's operating expenses for the 2011-12 and 2010-11 fiscal years:

Operating Expenses
(In Thousands)



Operating expenses totaled $760.4 million for the 2011-12 fiscal year. This represents a $9.9 million or 1.3 percent increase over the 2010-11 fiscal year. The increase in services and supplies of $11.2 million was primarily due to the increase in the capitalization threshold for capital assets during the 2011-12 fiscal year. The $6.3 million or 6.9 percent decrease in scholarships, fellowships, and waivers was primarily due to a decrease in Bright Futures awards.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2011-12	2010-11
State Noncapital Appropriations	$ 245,359	$ 261,339
Federal and State Student Financial Aid	138,119	148,387
State Appropriated American Recovery and Reinvestment Act Funds		18,205
Investment Income	8,843	21,148
Other Nonoperating Revenues	8,021	2,071
Gain (Loss) on Disposal of Capital Assets	(121)	21
Interest on Capital Asset-Related Debt	(8,187)	(8,712)
Other Nonoperating Expenses	(53,555)	(32,755)
Net Nonoperating Revenues	$ 338,479	$ 409,704

Net nonoperating revenues decreased by $71.2 million, or 17.4 percent primarily due to the following: a decrease in State appropriations ($16.0 million), a decrease in State funded Bright Futures awards and other Federal financial aid ($10.3 million), the elimination of Federal stimulus support ($18.2 million), a decrease in investment income due to a decrease in unrealized gains on investments ($12.3 million), and a write-off of previously capitalized fixed assets ($18.7 million) due to an increase in the capitalization threshold during the 2011-12 fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, and donations. The following summarizes the University's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

Other Revenues, Expenses, Gains, or Losses
(In Thousands)

	2011-12	2010-11
State Capital Appropriations	$ 5,000	$ 37,169
Capital Grants, Contracts, and Donations	3,546	2,492
Total	$ 8,546	$ 39,661

Other revenues, expenses, gains, or losses totaled $8.5 million for the 2011-12 fiscal year. This represents a 78.5 percent decrease over the 2010-11 fiscal year due to a decrease in State funding for buildings and improvements of $32.2 million.

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 2011-12 and 2010-11 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	$ (283,171)	$ (326,676)
Noncapital Financing Activities	359,689	420,909
Capital and Related Financing Activities	(32,172)	(92,073)
Investing Activities	(32,974)	(7,808)
Net Increase (Decrease) in Cash and Cash Equivalents	11,372	(5,648)
Cash and Cash Equivalents, Beginning of Year	96,684	102,332
Cash and Cash Equivalents, End of Year	$ 108,056	$ 96,684

Cash and cash equivalents increased $11.4 million. Cash outflows from operating activities decreased by $44 million compared to fiscal year 2010-11, due to an increase in tuition and fees, a decrease in payments to employees for compensation and benefits, a decrease in payments to students for scholarships and fellowships, and an increase in payments to suppliers for goods and services. Cash inflows from noncapital financing activities decreased by $61.2 million, primarily due to a decrease in State noncapital appropriations and Federal and State student financial aid. Cash outflows from capital and related financing activities decreased $59.9 million due to a decrease in State capital appropriations, a decrease in purchases or construction of capital assets, and an increase in proceeds from capital debt. Cash outflows from investing activities increased $25.2 million primarily due to the University investing debt proceeds offset by liquidating investments to support university operations.

Major sources of funds came from State noncapital appropriations ($245.4 million), net student tuition and fees ($238.7 million), Federal Direct Student Loans ($238.0 million), Federal and State student financial aid ($136.5 million), grants and contracts ($108.8 million), and proceeds from capital debt ($81.3 million). Major uses of funds were for payments made to employees ($435.2 million), Federal Direct Student Loans ($238.0 million), payments to suppliers for goods and services ($172.9 million), payments to and on behalf of students for scholarships ($84.6 million), and purchase or construction of capital assets ($68.0 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the University had $1.4 billion in capital assets, less accumulated depreciation of $524.0 million, for net capital assets of $829.4 million. Depreciation charges for the current fiscal year totaled $55.0 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)

	2012	2011
Land	$ 24,822	$ 9,685
Buildings	685,125	687,609
Construction in Progress	8,243	11,460
Infrastructure and Other Improvements	32,251	33,015
Furniture and Equipment	44,729	59,875
Library Resources	25,634	27,849
Leasehold Improvements	7,404	9,133
Works of Art and Historical Treasures	879	1,016
Other Capital Assets	275	1,936
Capital Assets, Net	$ 829,362	$ 841,578

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2012, were incurred on the following projects currently in progress: Academic Villages II, Parking Garage VII, Recreation and Wellness Center, Classroom Building II, and Greek Park.

The University's major capital commitments at June 30, 2012, are as follows:

	Amount (In Thousands)
Total Committed	$ 16,185
Completed to Date	(8,243)
Balance Committed	**$ 7,942**

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

DEBT ADMINISTRATION

As of June 30, 2012, the University had $215.4 million in outstanding capital improvement debt payable and bonds payable, representing an increase of $33.1 million, or 18.1 percent, from the prior fiscal year. The increase is due to new debt issued to finance the construction and improvement of student housing. 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)

	2012	2011
Capital Improvement Debt	$ 157,577	$ 119,564
Bonds Payable	57,795	58,925
Loans and Notes Payable		3,316
Installment Purchases Payable		491
Total	$ 215,372	$ 182,296

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 of Central Florida began its Fall 2012 semester with approximately 60,000 students. Important economic factors impacting the University's ability to meet its core mission, support ongoing operations, and undertake new initiatives include the level of political and financial support from the Florida Legislature, student tuition and fee increases, and market changes in compensation and benefit packages. The University manages these factors by encouraging the conservation of resources and entrepreneurial efforts in both departments and auxiliaries.

For the 2011-12 fiscal year, net tuition and fees increased $37.4 million while State noncapital appropriations decreased $16 million. For the 2012-13 fiscal year, the University is facing a $54 million decrease in State noncapital appropriations. This amount includes the University's $52.6 million share of a non-recurring $300 million reduction in State noncapital appropriations to Florida's State University System (SUS). This decrease will be partially offset by a 15% increase in undergraduate tuition, expected to generate approximately $20 million during 2012-13. Non-recurring reserves generated as a result of cost efficiencies and restructuring implemented in prior years and strategically set aside by the University will also be used to offset the cut from the Florida Legislature. The Legislature has vowed to restore the $300 million to the SUS for the 2013-14 fiscal year, however, this is not guaranteed.

The University's outlook for the future and its ability to maintain high-quality education and research programs remains positive due in large part to its increasing reputation as a school of choice. The University's Fall 2012 class is one of the most talented freshman classes in UCF history and includes a university-record 241 National Merit Scholars. The University continues to look for ways to conserve resources and be more efficient, cut costs, explore avenues to generate new revenues, and to manage enrollment. Through these efforts, the University will maintain its high caliber education programs despite the challenge of reduced state funding.

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 Tracy Clark, CPA, Assistant Vice President for Finance and Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2012

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 88,332,691	$ 37,397,149
Investments	297,790,820	5,312,803
Accounts Receivable, Net	41,466,455	7,980,292
Loans and Notes Receivable, Net	926,176	
Due from State	47,427,077	
Due from Component Units	2,310,848	1,319,841
Due from University		5,338,053
Inventories	2,323,649	
Other Current Assets	4,571,418	916,905
Total Current Assets	485,149,134	58,265,043
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	19,723,004	23,391,321
Restricted Investments	81,789,435	140,615,996
Loans and Notes Receivable, Net	4,494,952	5,469,531
Depreciable Capital Assets, Net	796,078,150	283,449,662
Nondepreciable Capital Assets	33,283,350	51,635,662
Due from Component Units	10,709,272	
Other Noncurrent Assets	19,191,683	10,736,765
Total Noncurrent Assets	965,269,846	515,298,937
TOTAL ASSETS	$ 1,450,418,980	$ 573,563,980
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 13,753,396	$ 5,863,960
Construction Contracts Payable	2,994,889	
Salaries and Wages Payable	8,537,207	
Deposits Payable	4,817,480	
Due to Component Units	5,338,053	1,319,841
Due to University		2,310,848
Deferred Revenue	12,758,871	8,660,452
Other Current Liabilities	7,049,395	10,221,157
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	6,590,000	
Bonds Payable	1,175,000	
Certificates of Participation Payable		6,365,000
Loans and Notes Payable		3,345,124
Compensated Absences Payable	3,013,988	155,119
Total Current Liabilities	66,028,279	38,241,501

UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2012

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	$ 150,986,527	$
Bonds Payable	56,620,000	
Certificates of Participation Payable		264,388,998
Loans and Notes Payable		42,309,065
Compensated Absences Payable	34,660,860	664,435
Other Postemployment Benefits Payable	25,828,000	
Due to University		10,709,272
Other Noncurrent Liabilities	24,395,687	2,750,913
Total Noncurrent Liabilities	292,491,074	320,822,683
TOTAL LIABILITIES	358,519,353	359,064,184
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	666,515,116	24,455,519
Restricted for Nonexpendable:		
Endowment		114,219,425
Restricted for Expendable:		
Debt Service	1,426,553	
Loans	3,935,949	
Capital Projects	91,161,552	
Other	39,683,789	67,697,988
Unrestricted	289,176,668	8,126,864
TOTAL NET ASSETS	1,091,899,627	214,499,796
TOTAL LIABILITIES AND NET ASSETS	$ 1,450,418,980	$ 573,563,980

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 ASSETS
For the Fiscal Year Ended June 30, 2012

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $95,250,373	$ 241,615,575	$
Federal Grants and Contracts	89,711,433	
State and Local Grants and Contracts	5,546,774	
Nongovernmental Grants and Contracts	19,458,067	
Sales and Services of Auxiliary Enterprises	55,161,885	
Royalties and Licensing Fees		9,020,542
Gifts and Donations		12,561,866
Interest on Loans and Notes Receivable	119,868	
Other Operating Revenues	5,787,103	77,234,328
Total Operating Revenues	417,400,705	98,816,736
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	449,159,198	12,539,372
Services and Supplies	150,125,087	72,620,102
Utilities and Communications	21,604,972	
Scholarships, Fellowships, and Waivers	84,562,049	
Depreciation	54,951,374	10,964,907
Total Operating Expenses	760,402,680	96,124,381
Operating Income (Loss)	(343,001,975)	2,692,355
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	245,358,947	
Federal and State Student Financial Aid	138,119,292	
Investment Income	8,842,853	775,239
Loss on Disposal of Capital Assets	(121,374)	
Other Nonoperating Revenues	8,020,570	18,577,585
Interest on Capital Asset-Related Debt	(8,186,735)	(13,151,856)
Other Nonoperating Expenses	(53,554,566)	(7,758,496)
Net Nonoperating Revenues (Expenses)	338,478,987	(1,557,528)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(4,522,988)	1,134,827
State Capital Appropriations	5,000,000	
Capital Grants, Contracts, and Donations	3,545,425	
Additions to Permanent Endowments		1,505,360
Increase in Net Assets	4,022,437	2,640,187
Net Assets, Beginning of Year	1,087,877,190	211,859,609
Net Assets, End of Year	$ 1,091,899,627	$ 214,499,796

UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 238,775,190
Grants and Contracts	108,829,405
Sales and Services of Auxiliary Enterprises	55,448,657
Interest on Loans and Notes Receivable	124,885
Payments to Employees	(435,156,741)
Payments to Suppliers for Goods and Services	(172,925,395)
Payments to Students for Scholarships and Fellowships	(84,562,049)
Net Repayments of Loans Issued to Students	568,265
Other Operating Receipts	5,726,899
Net Cash Used by Operating Activities	(283,170,884)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	245,358,947
Federal and State Student Financial Aid	136,508,529
Direct Loan Program Receipts	237,958,601
Direct Loan Program Disbursements	(237,958,601)
Net Change in Funds Held for Others	(4,595,685)
Other Nonoperating Disbursements	(17,582,683)
Net Cash Provided by Noncapital Financing Activities	359,689,108
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	81,252,730
State Capital Appropriations	11,225,010
Capital Grants, Contracts, and Donations	2,636,872
Capital Subsidies and Transfers	(3,096,102)
Other Receipts for Capital Projects	586,308
Purchase or Construction of Capital Assets	(68,037,124)
Principal Paid on Capital Debt	(48,501,436)
Interest Paid on Capital Debt	(8,238,592)
Net Cash Used by Capital and Related Financing Activities	(32,172,334)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Investments	781,423,181
Purchase of Investments	(824,740,028)
Investment Income	10,342,934
Net Cash Used by Investing Activities	(32,973,913)
Net Increase in Cash and Cash Equivalents	11,371,977
Cash and Cash Equivalents, Beginning of Year	96,683,718
Cash and Cash Equivalents, End of Year	$ 108,055,695

UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2012

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (343,001,975)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	54,951,374
Change in Assets and Liabilities:	
Receivables, Net	(7,169,048)
Inventories	(388,332)
Other Assets	(1,497,178)
Accounts Payable	610,009
Salaries and Wages Payable	1,433,923
Other Liabilities	161,744
Compensated Absences Payable	2,728,534
Deferred Revenue	(839,935)
Other Postemployment Benefits Payable	9,840,000
NET CASH USED BY OPERATING ACTIVITIES	$ (283,170,884)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net assets, but are not considered a use of cash for the statement of cash flows.	$ (1,454,204)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not considered a use of cash for the statement of cash flows.	$ (121,374)

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

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 thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Trustees select the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University 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 Unit. 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. The purpose of the Corporation 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 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.

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

- The 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.

- The 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.
- The UCF Athletics Association, Inc., was organized to promote intercollegiate athletics to benefit the University and surrounding communities.
- The 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.
- The Golden Knights Corporation was created to finance, build, and administer an on-campus football stadium.
- The 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.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the discretely presented component units, including copies of audit reports, is available by contacting the University's Assistant Vice President for Finance and 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 Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

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

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

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

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on capital assets. Nonoperating revenues include 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 assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the 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 - University. Amounts reported as cash and cash equivalents consist of cash on hand, cash in demand accounts, money market funds, and investments with original maturities of three months or less. The University's 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 holds $66,079,451 in money market funds and short-term investments.

The money market funds and investments are permissible under the current investment policy and are rated AAA by Standard & Poor's. The Corporation holds $6,320,509 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. Amounts reported as cash and cash equivalents include $14,527,907 of cash deposited in money market accounts that are not insured by Federal deposit insurance and are not collateralized, $24,717,490 deposited in money market funds that are uninsured and collateralized by securities held by the institution not in the component unit's name, and $12,608,246 invested in short-term guaranteed investment contracts that were purchased by the component unit to invest bond proceeds for various construction projects on campus.

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 other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $5,000 for tangible personal property, and $100,000 for new buildings and improvements. 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 lesser of the remaining lease term, or the estimated useful life of the improvement
- Works of Art and Historical Treasures – 5 to 15 years
- Other Capital Assets – 5 to 10 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of capital improvement debt payable, bonds payable, compensated absences payable, other postemployment benefits payable, 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 and deferred losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the debt using the straight-line method.

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 University's Board of Trustees has adopted a written investment policy establishing investment parameters within applicable Florida Statutes and the University investment manual. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University's investments at June 30, 2012, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$ 229,892,720
SBA Florida PRIME	1,249
SBA Fund B Surplus Funds Trust Fund	205
SBA Debt Service Accounts	1,393,868
Certificates of Deposit	734,835
United States Government and Federally-Guaranteed Obligations	38,404,550
Federal Agency Obligations	21,305,001
Bonds and Notes	35,907,058
Stocks and Other Equity Securities	38,658,601
Mutual Funds - Equities	13,282,168
Total University Investments	$ 379,580,255

Investments held by the University's component units at June 30, 2012 are reported at fair value, as follows:

Investment Type	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	Total
Mutual Funds - Bonds	$ 47,928,931	$	$ 47,928,931
Mutual Funds - Equities	76,781,876	56,715	76,838,591
Hedge Funds	16,285,813		16,285,813
Private Equity Funds	83,198		83,198
Real Estate Assets - REITS	120,354		120,354
Real Assets Fixed Income	1,114,012		1,114,012
Exchange Traded Funds	1,496,242		1,496,242
Stocks and Other Equity Securities	1,760,226	301,432	2,061,658
Total Component Unit Investments	$ 145,570,652	$ 358,147	$ 145,928,799

External Investment Pools

State Treasury Special Purpose Investment Account. The University reported investments at fair value totaling $229,892,720 at June 30, 2012, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.38 years at June 30, 2012. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts. The University reported investments at fair value totaling $1,393,868 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Administration for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or 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, money market funds, 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 and bond mutual funds, and their future maturities at June 30, 2012, are as follows:

University Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years) Less Than 1	1 - 5	More Than 5
United States Government and Federally-Guaranteed Obligations	$ 38,404,550	$ 10,961,680	$ 22,201,007	$ 5,241,863
Federal Agency Obligations	21,305,001		4,888,291	16,416,710
Bonds and Notes	35,907,058	3,618,320	24,597,093	7,691,645
Total University	$ 95,616,609	$ 14,580,000	$ 51,686,391	$ 29,350,218

Component Units' Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years) Less Than 1	1 - 5	More Than 5
Mutual Funds - Bonds	$ 47,928,931	$ 6,418,616	$ 35,362,065	$ 6,148,250
Real Assets Fixed Income	1,114,012		1,114,012	
Total Component Units	$ 49,042,943	$ 6,418,616	$ 36,476,077	$ 6,148,250

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, 2012 of the University's and its component units' debt instruments using Standard & Poor's, a nationally recognized rating agency:

University Debt Investments Quality Ratings

Types of Investments	**Fair Value**	**AAA**	**AA**	**A**	**Less Than A or Not rated**
Federal Agency Obligations	$ 21,305,001	$ 21,160,650	$	$	$ 144,351 (1)
Bonds and Notes	35,907,058	10,496,570	8,453,072	13,956,452	3,000,964 (2)
Total University	$ 57,212,059	$ 31,657,220	$ 8,453,072	$ 13,956,452	$ 3,145,315

Component Units' Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A
Mutual Funds - Bonds	$ 47,928,931	$ 6,243,638	$ 31,711,251	$ 1,263,395	$ 8,710,647
Real Assets Fixed Income	1,114,012		1,114,012		
Total Component Units	$ 49,042,943	$ 6,243,638	$ 32,825,263	$ 1,263,395	$ 8,710,647

Notes: (1) These investments were not rated.
(2) Investments of $1,141,618 were not rated.

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

3. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for grants and contracts reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2012, the University reported the following amounts as accounts receivable:

Description	Amount
Grants and Contracts	$ 21,780,036
Student Tuition and Fees	14,705,036
Other	4,981,383
Total Accounts Receivable, Net	**$ 41,466,455**

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 Uncollectible Receivables. Allowances for uncollectible 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 $1,037,698 and $670,745, respectively, at June 30, 2012.

4. DUE FROM STATE

This amount consists of $47,427,077 of Public Education Capital Outlay, Capital Improvement Fees, and General Revenue due from the State for construction of University facilities.

5. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 9,684,659	$	$ 15,137,300	$	$ 24,821,959
Works of Art and Historical Treasures	295,750			77,750	218,000
Construction in Progress	11,460,335		4,321,466	7,538,410	8,243,391
Total Nondepreciable Capital Assets	$ 21,440,744	$	$ 19,458,766	$ 7,616,160	$ 33,283,350
Depreciable Capital Assets:					
Buildings	$ 930,494,687	$	$ 27,669,304	$ 778,945	$ 957,385,046
Infrastructure and Other Improvements	48,712,058		1,342,347		50,054,405
Furniture and Equipment	241,345,349	(77,545,521)	19,897,152	8,016,013	175,680,967
Library Resources	108,185,692	(54,720)	2,378,623		110,509,595
Leasehold Improvements	16,759,075		82,804		16,841,879
Works of Art and Historical Treasures	1,244,524	(153,724)	210,500		1,301,300
Other Capital Assets	18,084,900	(9,584,353)	124,505	329,015	8,296,037
Total Depreciable Capital Assets	1,364,826,285	(87,338,318)	51,705,235	9,123,973	1,320,069,229
Less, Accumulated Depreciation:					
Buildings	242,886,150		29,403,210	28,945	272,260,415
Infrastructure and Other Improvements	15,697,219		2,106,378		17,803,597
Furniture and Equipment	181,470,094	(60,097,653)	16,253,883	6,674,463	130,951,861
Library Resources	80,336,777	(36,574)	4,575,155		84,875,358
Leasehold Improvements	7,626,269		1,811,796		9,438,065
Works of Art and Historical Treasures	524,531	(115,698)	231,687		640,520
Other Capital Assets	16,148,379	(8,367,886)	569,265	328,495	8,021,263
Total Accumulated Depreciation	544,689,419	(68,617,811)	54,951,374	7,031,903	523,991,079
Total Depreciable Capital Assets, Net	$ 820,136,866	$(18,720,507)	$ (3,246,139)	$ 2,092,070	$ 796,078,150

Note: (1) Adjustment represents amounts written-off for assets with a cost value below the new capitlization threshold for tangible and intangible assets.

6. DEFERRED REVENUE

Deferred revenue includes grant and contract prepayments, auxiliary prepayments, student tuition and fees, and a construction appropriation received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2012, the University reported the following amounts as deferred revenue:

Description	Amount
Grant and Contract Prepayments	$ 6,739,525
Auxiliary Prepayments	4,546,536
Student Tuition and Fees	867,652
Construction Appropriation	605,158
Total Deferred Revenue	$ 12,758,871

7. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2012, include capital improvement debt payable, bonds payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 119,563,762	$ 81,633,178	$ 43,620,413	$ 157,576,527	$ 6,590,000
Bonds Payable	58,925,000		1,130,000	57,795,000	1,175,000
Loans and Notes Payable	3,315,922		3,315,922		
Installment Purchases Payable	490,514		490,514		
Compensated Absences Payable	34,946,314	5,568,664	2,840,130	37,674,848	3,013,988
Other Postemployment Benefits Payable	15,988,000	11,469,000	1,629,000	25,828,000	
Other Noncurrent Liabilities	15,730,658	8,725,029	60,000	24,395,687	
Total Long-Term Liabilities	$ 248,960,170	$ 107,395,871	$ 53,085,979	$ 303,270,062	$ 10,778,988

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2012:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Bonds:				
1992 - Housing	$ 19,080,000	$ 74,286	6.0	2013
1997 - Bookstore	3,570,000	1,260,714	5.05 - 5.125	2017
2000 - Housing	31,695,000	825,000	5.25	2013
2002 - Housing	14,055,000	9,123,868	3.6 - 4.5	2021
2004A - Student Health Center	8,000,000	5,516,562	4.0 - 5.0	2024
2004A - Parking Garage V	18,455,000	11,264,244	3.5 - 4.2	2024
2007A - Housing	38,780,000	34,375,350	4.0 - 5.5	2030
2010A - Parking Garage VI	3,855,000	2,708,340	4.0	2016
2010B - Parking Garage VI	11,140,000	11,140,000	4.5 - 6.2	2029
2011A - Parking Garage	11,005,000	12,027,538	3.0 - 5.0	2022
2012A - Housing	66,640,000	69,260,625	2.5 - 5.0	2042
Total Capital Improvement Debt	$ 226,275,000	$ 157,576,527		

Note: (1) Amount outstanding includes unamortized discounts and premiums, and deferred losses on refunding issues.

The University has pledged a portion of future housing rental revenues, bookstore revenues, parking and transportation fees, and health service facility fees based on credit hours to repay $226,275,000 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, a bookstore, student health facilities, and student parking garages. The bonds are payable solely from housing rental revenues, bookstore 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 $232,251,821, and principal and interest paid for the current year totaled $49,125,147 which includes amounts defeased of $37,135,000, further explained below. During the 2011-12 fiscal year operating revenues generated from housing rental revenues; bookstore revenues; parking and transportation fees; and health service facility fees totaled $24,711,734, $1,788,455, $18,575,820, and $16,726,184 respectively.

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

- On December 29, 2011, the Florida Board of Governors issued $11,005,000 of University of Central Florida Parking Facility Revenue Refunding Bonds, Series 2011A, with interest rates ranging from 3 percent to 5 percent. Proceeds from the refunding bonds were used to defease $12,170,000 of outstanding Capital Improvement Parking Facility Revenue Bonds, Series 1997, 1999, and 2001. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net assets. The trust redeemed the defeased bonds on January 1, 2012. As a result of the refunding, the University reduced its capital improvement debt service requirement by $1,641,625 over the next 10 years and obtained an economic gain of $1,477,037.
- On February 23, 2012 the Board of Governors issued $66,640,000 of University of Central Florida Dormitory Revenue Bonds, Series 2012A, with interest rates ranging from 2.5 percent to 5 percent. A portion of the capital improvement debt proceeds was used to defease $24,965,000 of outstanding University of Central Florida Housing Revenue Bonds, Series 2000 maturing in the years 2013 through 2030, with the remaining portion used to finance the construction and improvement of student housing and an administrative center all located on the main campus of the University. A portion of the proceeds were deposited into a trust fund to provide for all future debt service payments on the defeased bonds. The trust assets and liability for the defeased bonds are not included in the University's statement of net assets. The trust redeemed the defeased bonds on February 24, 2012. As a result of the refunding, the University reduced its capital improvement debt service requirement by $6,004,106 over the next 19 years and obtained an economic gain of $4,316,732.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	$ 6,590,000	$ 7,151,396	$ 13,741,396
2014	6,885,000	6,548,304	13,433,304
2015	8,000,000	6,257,087	14,257,087
2016	8,315,000	5,943,270	14,258,270
2017	8,130,000	5,578,121	13,708,121
2018-2022	40,140,000	21,965,914	62,105,914
2023-2027	33,780,000	12,967,882	46,747,882
2028-2032	21,655,000	6,339,860	27,994,860
2033-2037	9,475,000	3,528,194	13,003,194
2038-2042	11,715,000	1,286,793	13,001,793
Subtotal	154,685,000	77,566,821	232,251,821
Plus: Net Discounts, Premiums, and Losses on Bond Refundings	2,891,527		2,891,527
Total	$ 157,576,527	$ 77,566,821	$ 235,143,348

Bonds Payable. The 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 4.51 percent at June 30, 2012. 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 where 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 bonds as of June 30, 2012 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	$ 1,175,000	$ 2,532,593	$ 3,707,593
2014	1,240,000	2,474,279	3,714,279
2015	1,295,000	2,423,429	3,718,429
2016	1,355,000	2,366,760	3,721,760
2017	1,415,000	2,310,643	3,725,643
2018-2022	8,165,000	10,542,732	18,707,732
2023-2027	10,260,000	8,584,522	18,844,522
2028-2032	12,915,000	6,118,234	19,033,234
2033-2037	16,250,000	3,014,368	19,264,368
2038	3,725,000	162,782	3,887,782
Total	$ 57,795,000	$ 40,530,342	$ 98,325,342

The Corporation entered into an interest rate swap agreement in connection with its $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 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 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 (0.15 percent at June 30, 2012). The variable-rate coupons of the bonds are reset weekly by auction. As of June 30, 2012, the Corporation was not exposed to credit risk on this swap agreement because it had a negative fair value of $17,494,476, which is reported in other noncurrent liabilities on the statement of net assets. This liability reflects the theoretical settlement amount the Corporation would have to pay on June 30, 2012 to cancel the interest swap agreement. The liability is estimated based on valuation models. If interest rates change and the fair value of the 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 requires that the fair value of the swap agreement be fully collateralized by a letter of credit if the counterparty's credit quality falls below AA/Aa. As of June 30, 2012, collateralization was not required.

The University entered into a support agreement such that it will fund certain deficiencies that may arise in the event the Corporation is unable to make the minimum payments on the bonds. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

Loans and Notes Payable. In the 2007-08 fiscal year, the Corporation entered into a line of credit agreement of $37 million with a local bank. During the 2009-10 fiscal year, this line of credit was terminated and a note was created for the $4.9 million outstanding amount. The proceeds of the note were used for the construction of a health facility for the University's medical school. The note was paid off during fiscal year 2011-12.

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, 2012, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $37,674,848. The current portion of the compensated absences liability, $3,013,988, 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 plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 428 retirees received postemployment healthcare benefits. The University provided required contributions of $1,629,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $2,352,000.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB 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 year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 6,989,000
Amortization of Unfunded Actuarial Accrued Liability	3,956,000
Interest on Normal Cost and Amortization	438,000
Annual Required Contribution	11,383,000
Interest on Net OPEB Obligation	640,000
Adjustment to Annual Required Contribution	(554,000)
Annual OPEB Cost (Expense)	11,469,000
Contribution Toward the OPEB Cost	(1,629,000)
Increase in Net OPEB Obligation	9,840,000
Net OPEB Obligation, Beginning of Year	15,988,000
Net OPEB Obligation, End of Year	$ 25,828,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	$ 7,149,000	21.8%	$ 10,810,000
2010-11	6,754,000	23.3%	15,988,000
2011-12	11,469,000	14.2%	25,828,000

Funded Status and Funding Progress. As of July 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $118,673,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $118,673,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $280,490,639 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 42.3 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2011, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and the University's 2011-12 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 4 percent per year. Initial healthcare cost trend rates were 7.24 percent, 8.38 percent, and 8.57 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 5.81 percent, 3.11 percent, and 8.42 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates are both 6.50 percent in the fourth year grading identically to 5.00 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, 2012, was 25 years.

Other Noncurrent Liabilities. Other noncurrent liabilities consist mainly of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program and an interest rate swap agreement. 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 $6,781,211 at June 30, 2012.

As described previously in the Bonds Payable paragraph above, the University's blended component unit (Corporation) entered into an interest rate swap agreement in connection with its $60 million bond issuance. As of June 30, 2012, this interest rate swap agreement had a negative fair value of $17,494,476.

Certificate of Participation Payable – Component Units. During the 2004-05 and 2005-06 fiscal years, two certificates of participation were issued by the UCF Convocation Corporation to fund the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space. Also during the 2005-06 fiscal year, the UCF Convocation Corporation issued two additional certificates of participation to fund the acquisition, construction, and installation of a new convocation center; renovation of the existing University Arena; and construction of related infrastructure. The outstanding balance of these certificates at June 30, 2012 was $222,895,000, before an unamortized premium of $4,637,058.

During the 2006-07 fiscal year, certificates of participation were issued by the Golden Knights Corporation for the construction of a football stadium on the campus of the University. The outstanding balance of these certificates at June 30, 2012 was $42,755,000, before an unamortized premium of $466,940. The certificates are secured by a pledge from the UCF Athletic Association, Inc., of gross ticket revenues, Association rent, conference distributions, and sponsorship revenue.

The University entered into support agreements with the UCF Convocation Corporation and the Golden Knights 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. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

8. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Florida Retirement System, Special Risk	3.00	14.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

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

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2010, and June 30, 2011, totaled $9,088,946, and $10,553,207 respectively, which were equal to the required contributions for each fiscal year. Effective July 1, 2011, the Florida Legislature passed legislation that requires a three percent employee contribution for all FRS members. The University's contributions including employee contributions for the fiscal year ended June 30, 2012, totaled $7,435,235 which was equal to the required contribution.

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 this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service. There were 656 University participants in the Investment Plan during the 2011-12 fiscal year. The University's contributions including employee contributions to the Investment Plan totaled $1,852,215 which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for eight or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 7.42 percent of the participant's salary, less a small amount used to cover administrative costs 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.

There were 2,124 University participants during the 2011-12 fiscal year. The University's contributions to the Program totaled $12,629,731 and employee contributions totaled $10,074,602 for the 2011-12 fiscal year.

9. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2012, are as follows:

Project Description	Total Committed	Completed to Date	Balance Committed
Academic Villages II	$ 8,955,629	$ 2,113,278	$ 6,842,351
Other (1)	7,229,304	6,130,113	1,099,191
Total	$ 16,184,933	$ 8,243,391	$ 7,941,542

Note: (1) Individual projects with current balances committed of less than $1 million each at June 30, 2012.

10. OPERATING LEASE COMMITMENTS

The University leased buildings under operating leases, which expire in 2017. These leased assets and the related commitments are not reported on the University's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2013	$ 10,024,075
2014	3,694,517
2015	1,974,786
2016	401,742
2017	24,052
Total Minimum Payments Required	$ 16,119,172

11. RISK MANAGEMENT PROGRAMS

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2011-12 fiscal year, for property losses, 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 $60 million for named windstorm and flood losses through February 14, 2013. 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 three 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-Insurance Program

The University of Central Florida College of Medicine Self-Insurance Program (the 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.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Self-Insurance Program also provides: $1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; $250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; $250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of $100,000 for a claim arising from an occurrence for any one person, $250,000 for all claims arising from an occurrence and professional liability required by a hospital or other healthcare facility for educational purposes not to exceed per occurrence limit of $1,000,000.

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 2010-11 and 2011-12 fiscal years are presented in the following table:

Fiscal Year Ended	Claims Liabilities Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liabilities End of Year
June 30, 2011	$ 43,715	$ 27,000	$	$ 70,715
June 30, 2012	$ 70,715	$ 29,977	$ (6,297)	$ 94,395

12. LITIGATION

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

13. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount
Instruction	$ 235,802,612
Research	98,294,708
Public Services	4,741,744
Academic Support	58,858,860
Student Services	40,025,417
Institutional Support	81,089,614
Operation and Maintenance of Plant	36,966,087
Scholarships and Fellowships	84,562,049
Depreciation	54,951,374
Auxiliary Enterprises	64,719,765
Loan Operations	390,450
Total Operating Expenses	$ 760,402,680

14. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's Bookstore, Housing, Parking, and Health Service facilities represents identifiable activities for which one or more capital improvement debt instruments are outstanding:

Condensed Statement of Net Assets at June 30, 2012

	Bookstore Capital Improvement Debt	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt	Health Service Facility Capital Improvement Debt
Assets				
Current Assets	$ 3,884,661	$ 10,510,663	$ 9,257,684	$ 5,550,120
Capital Assets, Net	3,239,157	66,874,055	51,718,751	8,454,958
Other Noncurrent Assets	587,484	54,197,260	11,077,312	2,644,290
Total Assets	7,711,302	131,581,978	72,053,747	16,649,368
Liabilities				
Current Liabilities	249,145	7,144,709	3,072,203	800,810
Noncurrent Liabilities	1,030,714	110,945,626	34,395,878	5,640,084
Total Liabilities	1,279,859	118,090,335	37,468,081	6,440,894
Net Assets				
Invested in Capital Assets, Net of Related Debt	2,005,375	(1,433,364)	15,361,815	3,020,227
Restricted - Expendable	566,725	8,253,595	10,251,399	2,571,668
Unrestricted	3,859,343	6,671,412	8,972,452	4,616,579
Total Net Assets	$ 6,431,443	$ 13,491,643	$ 34,585,666	$ 10,208,474

Condensed Statement of Revenues, Expenses, and Changes in Net Assets for the Fiscal Year Ended June 30, 2012

	Bookstore Capital Improvement Debt	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt	Health Service Facility Capital Improvement Debt
Operating Revenues	$ 1,788,455	$ 24,711,734	$ 18,575,820	$ 16,726,184
Depreciation Expense	(173,447)	(3,629,092)	(2,108,421)	(387,892)
Other Operating Expenses	(484,844)	(11,910,224)	(10,233,276)	(13,332,474)
Operating Income	1,130,164	9,172,418	6,234,123	3,005,818
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	67,654	1,454,670	603,287	120,457
Interest Expense	(76,542)	(3,418,060)	(1,752,734)	(274,956)
Other Nonoperating Expense	(5,386)	(215,265)	(106,534)	(311,498)
Net Nonoperating Expenses	(14,274)	(2,178,655)	(1,255,981)	(465,997)
Income Before Other Revenues Expenses, Gains, or Losses	1,115,890	6,993,763	4,978,142	2,539,821
Other Revenue, Expenses, Gains, or Losses	310,202	(1,327,835)	(638,524)	(855,647)
Increase in Net Assets	1,426,092	5,665,928	4,339,618	1,684,174
Net Assets, Beginning of Year	5,005,351	7,825,715	30,246,048	8,524,300
Net Assets, End of Year	$ 6,431,443	$ 13,491,643	$ 34,585,666	$ 10,208,474

Condensed Statement of Cash Flows for the Fiscal Year Ended June 30, 2012

	Bookstore Capital Improvement Debt	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt	Health Service Facility Capital Improvement Debt
Net Cash Provided (Used) by:				
Operating Activities	$ 1,308,625	$ 12,632,590	$ 8,640,292	$ 3,533,214
Noncapital Financing Activities	215,187	(1,141,323)	(631,000)	(780,454)
Capital and Related Financing Activities	(295,685)	37,069,793	(5,929,334)	(773,261)
Investing Activities	(831,736)	(43,978,319)	(994,873)	(1,326,708)
Net Increase in Cash and Cash Equivalents	396,391	4,582,741	1,085,085	652,791
Cash and Cash Equivalents, Beginning of Year	706,282	2,499,052	2,990,389	1,225,708
Cash and Cash Equivalents, End of Year	$ 1,102,673	$ 7,081,793	$ 4,075,474	$ 1,878,499

15. 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 June 30, 2012 audited financial statements for the component units:

	Direct Support Organizations						Other Component Unit	
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	Golden Knights Corporation	Total Direct Support Organizations	Central Florida Clinical Practice Organization, Inc.	Total
Condensed Statement of Net Assets								
Assets:								
Current Assets	$ 23,735,178	$ 8,029,708	$ 6,270,519	$ 17,894,742	$ 1,923,657	$ 57,853,804	$ 411,239	$ 58,265,043
Capital Assets, Net	74,305,290	11,889,150	16,836,807	179,728,983	51,535,839	334,296,069	789,255	335,085,324
Other Noncurrent Assets	146,661,916	358,147		23,525,111	9,668,439	180,213,613		180,213,613
Total Assets	244,702,384	20,277,005	23,107,326	221,148,836	63,127,935	572,363,486	1,200,494	573,563,980
Liabilities:								
Current Liabilities	5,861,499	4,975,053	12,999,883	10,606,422	3,106,435	37,549,292	692,209	38,241,501
Noncurrent Liabilities	32,795,779		10,976,683	222,222,058	54,651,940	320,646,460	176,223	320,822,683
Total Liabilities	38,657,278	4,975,053	23,976,566	232,828,480	57,758,375	358,195,752	868,432	359,064,184
Net Assets:								
Invested in Capital Assets, Net of Related Debt	44,282,745	11,889,150	9,192,394	(39,131,230)	(2,566,795)	23,666,264	789,255	24,455,519
Restricted	147,765,409	581,402		26,039,230	7,531,372	181,917,413		181,917,413
Unrestricted	13,996,952	2,831,400	(10,061,634)	1,412,356	404,983	8,584,057	(457,193)	8,126,864
Total Net Assets	$ 206,045,106	$ 15,301,952	$ (869,240)	$ (11,679,644)	$ 5,369,560	$ 214,167,734	$ 332,062	$ 214,499,796
Condensed Statement of Revenues, Expenses, and Changes in Net Assets								
Operating Revenues	$ 23,674,092	$ 5,659,300	$ 36,829,141	$ 29,397,117	$ 2,683,140	$ 98,242,790	$ 573,946	$ 98,816,736
Operating Expenses	(32,085,375)	(5,697,540)	(34,412,854)	(19,925,041)	(2,628,153)	(94,748,963)	(1,375,417)	(96,124,380)
Operating Income (Loss)	(8,411,283)	(38,240)	2,416,287	9,472,076	54,987	3,493,827	(801,471)	2,692,356
Net Nonoperating Revenues (Expenses)	6,947,410	(27,715)	(2,404,201)	(7,995,993)	789,437	(2,691,062)	1,133,533	(1,557,529)
Other Revenues, Expenses, Gains, and Losses	1,505,360					1,505,360		1,505,360
Increase (Decrease) in Net Assets	41,487	(65,955)	12,086	1,476,083	844,424	2,308,125	332,062	2,640,187
Net Assets, Beginning of Year	206,003,619	15,367,907	(881,326)	(13,155,727)	4,525,136	211,859,609		211,859,609
Net Assets, End of Year	$ 206,045,106	$ 15,301,952	$ (869,240)	$ (11,679,644)	$ 5,369,560	$ 214,167,734	$ 332,062	$ 214,499,796

16. SUBSEQUENT EVENTS

On October 18, 2012, the University received an $8,227,807 distribution from the sale of University of Central Florida Parking Facility Revenue Bonds, Series 2012A with a par value of $7,860,000. The proceeds are to be used to finance a portion of the construction of the seventh parking facility on the main campus of the University. The bonds are secured by pledged revenues from the parking facility.

UNIVERSITY OF CENTRAL FLORIDA
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]
7/1/2007	$	$ 52,106,000	$ 52,106,000	0%	$255,646,117	20.4%
7/1/2009	$	$ 83,256,000	$ 83,256,000	0%	$255,712,129	32.6%
7/1/2011	$	$ 118,673,000	$118,673,000	0%	$280,490,639	42.3%

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011 unfunded actuarial liability of $118,673,000 was significantly higher than the July 1, 2009 liability of $83,256,000. The primary factors that caused the change were: increases in future healthcare costs that are higher than previously assumed, and changes in the long-term trend model for future retiree healthcare benefits.