



**Board of Trustees
Finance and Facilities Committee Meeting
March 21, 2013**

10:45 a.m.

Live Oak Center

Conference call in phone number 800-442-5794, passcode 463796

AGENDA

- | | |
|--|--|
| I. CALL TO ORDER | Olga M. Calvet
<i>Chair, Finance and Facilities Committee</i> |
| II. ROLL CALL | Sheree Morgan
<i>Senior Administrative Assistant to the Vice President for Administration and Finance and Chief Financial Officer</i> |
| III. MEETING MINUTES | Chair Calvet |
| <ul style="list-style-type: none">• Approval of the January 31, 2013, Finance and Facilities Committee meeting minutes | |
| IV. NEW BUSINESS | Chair Calvet |
| <ul style="list-style-type: none">• UCF Investments Update (INFO-1) | William F. Merck II
<i>Vice President for Administration and Finance and Chief Financial Officer</i>
Tracy Clark
<i>Assistant Vice President and Controller</i> |
| <ul style="list-style-type: none">• Resolution for UCF Athletics Association to Issue Debt (FFC-1) | William F. Merck II
Todd Stansbury
<i>Vice President and Director of Athletics</i>
Brad Stricklin
<i>Senior Associate Athletics Director and CFO for UCFAA</i> |

- Resolution for UCF Lockwood Communities to Issue Debt (FFC-2) William F. Merck II
W. Scott Cole
Vice President and General Counsel
- 2011-12 Audited Financial Statements (INFO-2) William F. Merck II
Tracy Clark
- Consulting RFP (INFO-3) William F. Merck II
Tony G. Waldrop
Provost and Executive Vice President
- University and DSO Debt Report (INFO-4) William F. Merck II
John C. Pittman
Assistant Vice President for Debt Management

V. OTHER BUSINESS

Chair Calvet

VI. CLOSING COMMENTS

Chair Calvet



Board of Trustees
Finance and Facilities Committee Meeting
Live Oak Center
January 31, 2013

MINUTES

CALL TO ORDER

Trustee Olga M. Calvet, chair of the Finance and Facilities Committee, called the meeting to order at 11:18 a.m. Committee members Jim Atchison, Ida Cook, Robert Garvy, Marcos Marchena, and Cortez Whatley were present. Committee member John Sprouls attended via teleconference. Board members present were Michael Grindstaff, Richard Crotty, and Alan Florez. Board members Ray Gilley and John Sprouls attended via teleconference.

NEW BUSINESS

UCF Investment Quarterly Update (INFO-1)

William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer, Tracy Clark, Assistant Vice President and Controller, and Dave West, Senior Consultant for The Bogdahn Group, gave a background review and an update of UCF investments and the investments quarterly report.

Revision to UCF Investment Policy (FFC-1)

Merck reviewed the proposed revisions to the UCF Investment Policy that would allow moving some money from Pool I where we were being ultra conservative to ensure liquidity when we established our investments in 2010. Experience has shown that the level of liquidity in Pool I is not needed. The proposal is to move \$30 million from Pool I into Pool III, which has longer maturities. Pool I is money market funds. Pool IV allows for short and intermediate term bonds. It was suggested that the move of funds being proposed should only go into federally guaranteed investments. Dave West of The Bogdahn Group explained that the proposed change would still be domestic investments and will still be high quality. A concern was noted that to move out of federally guaranteed obligations or agency obligations will incur risk of default. It was proposed that if we move to expend maturities we stay with federal government agencies. Members decided to table the item until information on other alternatives were provided at the next meeting.

Key Financial Ratios (INFO-2)

Merck and Clark reviewed the key financial ratios.

Construction of Housing and Residence Life Support Building (INFO-2)

Maribeth Ehasz, Vice President for Student Development and Enrollment Services, reported that tax exempt revenue bonds were sold in January 2012 by the State Division of Bond Finance to fund the construction of the Academic Village Expansion Project, the Greek Life Center, one Greek House, and capital improvements to the UCF housing system. Support space was to be incorporated into the ground floors of the residential buildings. After the bond sale and during the guaranteed maximum pricing phase of the project, it was determined that there was insufficient funding to build all of the building support space that was in the project program. The support space was designed and priced as an alternate project. The support space needs to be constructed now by the current design and construction team in order to maintain the Guaranteed Maximum Price. The price of the support building is \$1,768,906, and the amount remaining in the project contingency fund is \$1,684,887. The Department of Housing and Residence Life has sufficient cash reserves to fund the \$84,019 shortfall, up to \$270,000, if needed. A motion was made and unanimously approved to proceed with the construction of the support space building, and for Housing and Residence Life to use its reserve funds of up to \$270,000 to fund construction of this building.

Amendment to the 2010 Campus Master Plan for UCFAA (FFC-2)

Merck and David Hansen, Senior Associate Athletics Director, Internal Operations, reviewed the plan to change the Future Land Use, Capital Improvements, Urban Design, and Recreation Open Space Elements of the 2010 Campus Master Plan to support the proposed Wayne Densch Center for Student-Athlete Leadership. The proposed amendment changes the name of the facility from Athletic Academic Performance Center to Wayne Densch Center for Student-Athlete Leadership and moves the site to the east side of Bright House Networks Stadium. The committee unanimously approved the minor amendment to the master plan and the name of the Wayne Densch Center for Student-Athlete Leadership.

Revision to Articles and Bylaws of the UCF Research Foundation (FFC-3)

Kevin Buckley, Associate General Counsel, Office of Research and Commercialization, reported that approval was requested for the proposed Second Amended and Restated Articles and Bylaws of the University of Central Florida Research Foundation to make corrections and to provide consistency among UCF Direct Support Organizations. The Research Foundation Board of Directors voted in favor of adopting these amendments. The committee members voted unanimously to approve the revisions to the Articles and Bylaws of the UCF Research Foundation.

Chair Calvet adjourned the Finance and Facilities Committee meeting at 12:25p.m.

Respectfully submitted:



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

3-6-13

Date

ITEM: INFO-1

University of Central Florida
Board of Trustee
Finance and Facilities Committee

SUBJECT: UCF Investments Update

DATE: March 21, 2013

For information only.
No Handouts.

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

SUBJECT: Resolution for the UCF Athletics Association to Issue Debt

DATE: March 21, 2013

PROPOSED COMMITTEE ACTION

Approval of resolution necessary for the UCFAA to issue up to \$17,590,000 between bonds and a bank loan to refinance an existing Line of Credit (LOC), complete Phase II of the baseball stadium expansion, and construct the Wayne Densch Center for Student-Athlete Leadership.

BACKGROUND INFORMATION

In 2004 UCFAA obtained a LOC to finance the construction of several facilities, primarily to meet Title IX requirements. The LOC has been renewed annually each year. UCFAA desires to take advantage of the current low interest rate environment to refinance the LOC into fixed-rate long-term debt.

Also, the UCFAA has completed part of a multi-phase expansion of the baseball stadium and intends to use part of the new debt to complete the expansion, which includes improving the press box and adding revenue-generating premium seats.

UCFAA desires to combine all of its academic and other related services for its athletes into one central facility. The Wayne Densch Center for Student-Athlete Leadership will be located on the north end of campus close to the residence halls of student athletes and practice facilities. In addition to housing the current academic services, the facility will provide leadership training for student athletes in preparation for their careers after graduation.

Supporting documentation:

Resolution

Resolution of the DSO board of directors approving the debt issuance (Attachment A)

Project program (Attachment B)

Estimated project cost (Attachment C)

Sources-and-uses of funds (Attachment D)

Estimated debt service schedule (Attachment E)

Consolidated debt service schedule (Attachment F)

Description of security (Attachment G)

Parity of debt (Attachment H)

Financial statements for five years (Attachment I)

Five-year history and five-year projection (Attachment J)
Evidence that the project is consistent with the university's master plan (Attachment K)
Variable rate debt proposals (Attachment L)
Taxable financing (Attachment M)
Legislative authority (Attachment N)
University's debt management policy notice of compliance (Attachment O)
Negotiated method of sale (Attachment P)
Competitive selection process (Attachment Q)

Prepared by: Brad Stricklin, Senior Associate Athletics Director and CFO, UCFAA
John C. Pittman, Assistant Vice President for Debt Management

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

**A RESOLUTION AUTHORIZING THE ISSUANCE OF DEBT
BY THE UCF ATHLETICS ASSOCIATION, INC. AND
REQUESTING THE FLORIDA BOARD OF GOVERNORS TO
APPROVE THE ISSUANCE OF SUCH DEBT TO FINANCE
AND REFINANCE THE CONSTRUCTION OF CERTAIN
ATHLETIC FACILITIES FOR THE BENEFIT OF THE
UNIVERSITY OF CENTRAL FLORIDA, PROVIDING AN
EFFECTIVE DATE.**

**BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE UNIVERSITY OF
CENTRAL FLORIDA :**

Section 1. The Board of Trustees (the "Board of Trustees") of the University of Central Florida (the "University") hereby authorizes the issuance of debt by the UCF Athletics Association, Inc. (the "DSO") and requests the Florida Board of Governors (the "Board of Governors") to approve the issuance of debt in an amount not exceeding \$17,590,000 of the DSO's Capital Improvement Revenue Bonds (the "Debt") for the purpose of financing the construction, installation and equipping of additional seating and a new media and broadcast facility for the existing baseball stadium, a 22,000 square foot, two story athletics facility together with related infrastructure improvements and the refinancing of amounts due under a preexisting construction line of credit the proceeds of which financed certain capital athletic facility improvements (the "Project") all to be or previously constructed on the Orlando campus of the University or on land owned by the DSO.

Section 2. The Project will consist of (i) financing the costs of constructing and equipping a 300 seat elevated covered terrace to be added to the existing baseball stadium, a new media and broadcast facility and related infrastructure (the "Stadium Improvements") and the construction of a 22,000 square foot, two story athletic facility and related infrastructure (the "Athletics Building") and refinancing the costs of certain athletic facilities including track and field improvements, phase I baseball stadium improvements, softball stadium, rowing center, and a golf facility (the "Refinanced Improvements"). Each component of the Project located on the University's campus is reflected on the approved master plan for the University. Those components of the Refinanced Improvements not located on the campus which include the golf facility located at the Twin Rivers Golf Club and the rowing facility located on Lake Pickett are not required to be included in the master plan for the University. The Stadium Improvements and the Refinanced Improvements component of the Project are consistent with the mission of the University because, taken as a whole, will allow for increased capacity, improved patron experience, increase the likelihood of hosting NCAA postseason events, all of which will bring more visitors to campus. The Athletics Building, which will house the Student Athlete Leadership Center, will contribute to developing stronger students and leaders within the UCF community and will also positively impact graduation rates, which will boost the national stature of the University. Construction of the Stadium Improvements is expected to begin in July of 2013 and to be completed by February 2014. Construction of the Athletics Building is expected to begin in November of 2013 and to be completed by August 2014. Proceeds of the Debt are anticipated to be sufficient to complete the construction of the Stadium Improvements and the Athletics Building and refinance the Refinanced Improvements without the use of additional funds. Legislative approval of the Stadium Improvements and the Athletics Building has been obtained pursuant to the General Appropriations

Act of 2011. No proceeds of the Debt will be used to finance operating expenses of the University or the DSO.

Section 3. The Debt is being structured as a fixed rate long term bond issue with a final maturity no later than 25 years (the "Series 2013 Bonds") secured by a pledge of and lien on 5 percent of the Athletics Fee allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on \$500,000 of the annual amounts received pursuant to a beverage agreement (the "Pouring Rights Agreement") between the University and Coca-Cola Refreshments USA, Inc. and any contract renewals and extensions or replacement contracts and a pledge of and lien on premium seating revenues from the baseball stadium (the "Premium Seating Revenues"). The University is legally authorized to secure the Debt with the revenues to be pledged pursuant to section 1010.62, Florida Statutes. In addition, the DSO has a ten year pledge of approximately \$3 million dollars that will be earmarked to retire the Series 2013 Bonds as received. The University is also committed to ensuring that sufficient revenues will be generated to fulfill the University's obligations with respect to the Debt.

Section 4. The Debt will mature not more than 25 years after issuance, including any extensions or renewals thereof. The Project has an average estimated useful life which exceeds 25 years. The Series 2013 Bonds will bear interest at a fixed interest rate. Due to timing constraints relating to the construction of improvements to the baseball stadium and the need to complete the project in time for the 2014 season, following approval by the Board of Governors but prior to the issuance of the Series 2013 Bonds, the DSO may issue a short term bond anticipation note in a principal amount of approximately \$2,500,000 to a bank to commence construction of the baseball stadium. The bond anticipation note would be retired with proceeds of the Series 2013 Bonds.

Section 5. The Series 2013 Bonds are anticipated to be sold through a negotiated sale. A negotiated sale or private placement is necessary due to the relatively new pledge of annual Student Athletic Fees collections, the amounts to be received under the Pouring Rights Agreement and the Premium Seating Revenues. These revenue sources will require additional premarketing by the underwriter to insure a low interest rate. An analysis showing that a negotiated sale is desirable for the Series 2013 Bonds is attached in Appendix A. Any selection of one or more underwriters will be accomplished through a competitive selection process. Any bond insurance or other credit enhancement will be chosen through a competitive selection process analyzing the cost of the insurance or credit enhancement and the expected interest cost savings resulting from their use.

Section 6. The Board of Trustees will comply, and will require the University and the DSO to comply, with all requirements of federal and state law relating to the Debt, including but not limited to, laws relating to maintaining the exemption from taxation of interest payments on the Debt and continuing secondary market disclosure of information regarding the Debt.

Section 7. The Chairman and the Executive Director of the DSO and authorized representatives of the University and the Board of Trustees are hereby authorized to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other actions as they may deem necessary or desirable, in connection with the execution, sale and delivery of the Debt.

Section 8. In making the determination to finance the Project, the Board of Trustees has reviewed the information attached to Appendix A and finds that the issuance of the Debt is in

compliance with the Debt Management Guidelines, the university's debt management policy, and applicable law.

Section 9. This Resolution shall take effect immediately upon its adoption.

Adopted this _____ day of ____, 2013.

Appendix A

The following documents have been reviewed by the Board of Trustees prior to the execution of this Resolution:

- a. the project program;
- b. a draw schedule for the project;
- c. sources and uses of funds for the project;
- d. an estimated debt service schedule;
- e. a description of the security supporting repayment and the lien position the debt will have on that security;
- f. a five year history, if available, and a five year projection, of the pledged revenues and the debt service coverage; and
- g. the negotiated sale analysis.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

a) The project program, feasibility studies or consultant reports (if available), and an explanation of how the proposed project is consistent with the university's mission.

The Project will consist of three components including: (i) financing the costs of constructing and equipping a 300 seat elevated covered terrace to be added to the existing baseball stadium, a new media and broadcast facility and related infrastructure (the "Stadium Improvements") (ii) the construction of a 22,000 square foot, two story athletic facility and related infrastructure (the "Athletics Building") and (iii) refinancing the costs of certain athletic facilities including track and field improvements, phase I baseball stadium improvements, softball stadium, rowing center, and a golf facility (the "Refinanced Improvements"). These improvements are consistent with UCF's mission to provide services that enhance the intellectual, cultural, environmental, and economic development of the metropolitan region.

Improving the UCF Baseball stadium at Jay Bergman Field will have a positive impact for UCF and the metropolitan region. The improvements will allow for increased capacity, improved patron experience, and increase the likelihood of hosting NCAA Postseason events, all of which will bring more visitors to campus.

Likewise, the addition of the larger, more modern media and broadcast facility will not only complement the phase I expansion by giving the baseball stadium a completed look, it will enhance the existing seating areas by providing a covered concourse and much-needed shade.

The proposed Athletics Building will contain the Wayne Densch Center for Student Athlete Leadership (WDCSAL) that will offer UCF student-athletes further opportunity to grow academically and to prepare for a career in their chosen field. The WDCSAL will house Academic Services for Student-Athletes, Student Services, Career Services, NCAA Compliance, and the Student-Athlete Leadership Institute, all of which provide educational and developmental programming for UCF's student-athletes. The WDCSAL will contribute to developing stronger students and leaders within the UCF community and will also positively impact graduation rates, which will boost the national stature of the University. The Institute will also ensure stronger graduates, many of whom will obtain jobs in the Central Florida region, boosting the regional economy.

The Refinanced Improvements have provided many opportunities to expand and enhance the Universities athletic program consistent with its mission. Refinancing the cost of these improvements will improve the University's budgeting process by taking advantage of historically low fixed interest rates and adding stability to its budgeting process by reducing its exposure to variable interest rates.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

BOARD OF GOVERNORS STATE UNIVERSITY SYSTEM OF FLORIDA

Project Summary University of Central Florida

Project Summary: The Project will consist of three components including: (i) financing the costs of constructing and equipping a 300 seat elevated covered terrace to be added to the existing baseball stadium, a new media and broadcast facility and related infrastructure (the “Stadium Improvements”) (ii) the construction of a 22,000 square foot, two story athletic facility and related infrastructure (the “Athletics Building”) and (iii) refinancing the costs of certain athletic facilities including track and field improvements, phase I baseball stadium improvements, softball stadium, rowing center, and a golf facility (the “Refinanced Improvements”).

Stadium Improvements

Project Description: The Stadium Improvements constitute the second phase of improvements to the UCF Baseball Stadium. Phase II of the baseball stadium expansion project will add a 300-seat elevated terrace under roof directly behind home plate and a new media and broadcast facility.

Facility Site Location: The proposed facility will be located on the University of Central Florida main campus in Orlando, Florida. The specific location is in the north section of campus consistent with the Campus Master Plan at the UCF Baseball Stadium.

Projected Timeline: Design and Permitting – November 2012-May 2013
Construction – July 2013-January 2014
Completion – February 2014

Project Cost: The construction of the proposed Stadium Improvements is estimated to be \$2,500,000.

Athletics Building

Project Description: The Athletics Building will consist of a 22,000 square-foot, two-story facility that will house the new WDCSAL and office suites for the NCAA compliance staff, athletics student-services, and career services. Currently these services are provided on the south end of campus in the Wayne Densch Sports Center Buildings 38 and 39.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

This Athletics Building has been in discussion for several years, and with the focal point of Knights Athletics shifting to the northeast quadrant of campus, completion of this facility is desirable to locate these important facilities and services near the other athletic program facilities.

Facility Site Location: The Athletics Building will be located on the University of Central Florida main campus in Orlando, Florida. The specific location is in the north section of campus consistent with the Campus Master Plan, and adjacent to the east side of Bright House Networks Stadium.

Projected Timeline: Design and Permitting -- March to October 2013
Construction -- November 2013 to August 2014
Completion -- August 2014

Project Cost: The construction of the Athletics Building is estimated at a total cost of \$6,500,000.

Refinanced Improvements

Project Description: To refinance the costs to construct, upgrade and expand the Refinanced Improvements that were originally financed in whole or in part by a construction line of credit with Fifth Third Bank entered into in 2004 (the "LOC").

Facility Site Location: The Refinanced Improvements, other than the golf facility and the rowing facility are located on the University of Central Florida main campus in Orlando, Florida. The golf facility is located at Twin Rivers Golf Club and the rowing facility is located on Lake Pickett.

Projected Timeline: The Refinanced Facilities have all been completed and placed in service.

Project Cost: The current outstanding balance on the LOC is \$7,500,000 and with quarterly amortization payments is expected to be \$7,000,000 by the time of closing.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

Combined Debt Issue

Financing Structure:

Security/Lien Structure:

The Debt is being structured as a fixed rate long term bond issue with a final maturity no later than 25 years (the "Series 2013 Bonds") secured by a pledge of and lien on 5 percent of the Athletics Fee allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on premium seating revenues from the Baseball Stadium ("Premium Seating Revenues") and a pledge of and lien on \$500,000 of the amounts received from the university pursuant to a beverage agreement (the "Pouring Rights Agreement") currently between the University and Coca-Cola Refreshments USA, Inc., along with any future extensions or replacement beverage contracts. Following approval by the Board of Governors but prior to issuance of the Series 2013 Bonds, the DSO may issue a short term Bond Anticipation Note to a bank to commence construction of the baseball stadium expansion. The Note will be retired with the proceeds of the Series 2013 Bond. The University is legally authorized to secure the Debt with the revenues to be pledged pursuant to section 1010.62, Florida Statutes. The University is also committed to ensuring that sufficient revenues will be generated to fulfill the University's obligations with respect to the Debt.

Pledged Revenues and Debt Service Coverage:

Based on current projections given by the Office of University Analysis and Planning Support at UCF, five percent of student fees will range from \$1,066,271 to \$1,222,817 per fiscal year. The annual commission distribution from the University's Pouring Rights Agreement to UCFAA is estimated to be approximately \$500,000. Premium seat sales, using 50 percent sales of available seats, will be \$75,000. With these projections, debt service coverage would be between 1.62x and 1.72x over the first five years.

If more conservative projections are used for student enrollment, five percent of student fees would be \$1,033,091 each year for five years. With beverage and premium seat revenues at \$500,000 and \$75,000, respectively, the debt service coverage would be at 1.54x.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

- b) Estimated project cost, with schedules including start and completion dates, estimated useful life, and the date bond proceeds are required.

Stadium Improvements

Project Cost: \$2,500,000.
Projected Timeline: Design and Permitting – November 2012-May 2013
Construction – July 2013-January 2014
Completion – February 2014
Estimated Useful Life: 39 years
Proceeds Needed: July 2013

Estimated Draw Schedule

Beginning Balance		2,500,000
3rd Qtr 2013	611,912	1,888,088
4rd Qtr 2013	312,075	1,576,013
1st Qtr 2014	361,350	1,214,662
2st Qtr 2014	441,000	773,663
3rd Qtr 2014	773,663	-

Athletics Building

Project Cost: \$6,500,000
Projected Timeline: Design and Permitting – March to October 2013
Construction – November 2013 to August 2014
Completion – August 2014
Estimated Useful Life: 39 years
Proceeds Needed: Sept 2013

Estimated Draw Schedule

Beginning Balance		6,500,000
3st Qtr 2013	1,045,527	5,454,473
4rd Qtr 2013	901,549	4,552,924
1st Qtr 2014	1,043,899	3,509,025
2st Qtr 2014	1,273,999	2,235,026
3rd Qtr 2014	2,235,026	-

Board of Governors – Debt Management Guidelines

UCF Athletic Association

- c) The sources-and-uses of funds, clearly depicting all costs, funding sources expected to be used to complete the project and the estimated amount of the debt to be issued.

The attached table provides the estimated sources and uses of funds for the proposed Series 2013 Bonds. The bonds are expected to be secured by a pledge of and lien on 5 percent of the Athletics Fee allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on premium seating revenues from the Baseball Stadium ("Premium Seating Revenues") and a pledge of and lien on \$500,000 of the amounts received from the university pursuant to a beverage agreement (the "Pouring Rights Agreement") currently between the University and Coca-Cola Refreshments USA, Inc, along with any future extensions or replacement beverage contracts. The UCFAA also may use donations associated with the Project to prepay a portion of the Series 2013 Bonds.

Sources and Uses of Funds		
UCF Athletic Association		
Revenue Bonds, Series 2013		
BAM Insured Rates as of EOD 1/28/2013 + 25 bps		
Preliminary / Subject to Change		
Dated Date	7/1/2013	
Delivery Date	7/1/2013	
Sources:		
Bond Proceeds:		
Par Amount		17,590,000.00
Net Original Issue Discount		-88,089.90
		17,501,910.10
Uses:		
Project Fund Deposits:		
Payoff Amount for 53rd Construction Note		7,045,000.00
New Money		9,000,000.00
		16,045,000.00
Other Fund Deposits:		
Debt Service Reserve Fund		1,050,400.00
Delivery Date Expenses:		
Cost of Issuance		169,303.74
Underwriter's Discount		105,540.00
Bond Insurance(50bps)		131,666.36
		406,510.10
		17,501,910.10

Board of Governors – Debt Management Guidelines

UCF Athletic Association

- d) An estimated debt service schedule with the assumed interest rate on the debt clearly disclosed.

Estimated New Debt Service Schedule

The attached spreadsheet shows the estimated debt service associated with the Series 2013 Bonds. The financing assumes level annual debt service. The bonds assume a serial and term structure. Rates by maturity have also been included. The estimated average interest rate of 3.86 percent is based on current markets rates as of October 19th for an uninsured "A" rated bond plus 25 basis points.

Bond Debt Service			
UCF Athletic Association			
Revenue Bonds, Series 2013			
BAM Insured Rates as of EOD 1/28/2013 + 25 bps			
Preliminary / Subject to Change			
FY	Principal	Interest	Debt Service
2014	0	413,596.88	413,596.88
2015	495,000	545,893.75	1,040,893.75
2016	510,000	534,587.50	1,044,587.50
2017	520,000	523,000.00	1,043,000.00
2018	530,000	511,187.50	1,041,187.50
2019	545,000	499,093.75	1,044,093.75
2020	555,000	486,718.75	1,041,718.75
2021	565,000	473,412.50	1,038,412.50
2022	580,000	458,375.00	1,038,375.00
2023	600,000	441,400.00	1,041,400.00
2024	615,000	422,790.63	1,037,790.63
2025	635,000	402,862.51	1,037,862.51
2026	655,000	381,900.01	1,036,900.01
2027	675,000	360,287.51	1,035,287.51
2028	700,000	337,943.76	1,037,943.76
2029	720,000	314,868.76	1,034,868.76
2030	745,000	291,062.51	1,036,062.51
2031	770,000	266,443.76	1,036,443.76
2032	795,000	240,515.63	1,035,515.63
2033	820,000	213,262.50	1,033,262.50
2034	850,000	185,081.25	1,035,081.25
2035	875,000	154,878.13	1,029,878.13
2036	910,000	122,525.01	1,032,525.01
2037	940,000	88,993.76	1,028,993.76
2038	975,000	54,284.38	1,029,284.38
2039	1,010,000	18,306.25	1,028,306.25
	17,590,000	8,743,271.99	26,333,271.99

Board of Governors – Debt Management Guidelines

UCF Athletic Association

e) A description of the security supporting the repayment of the proposed debt and the lien position the debt will have on that security. If the lien is junior to any other debt, the senior debt must be described, and a description of why the debt is proposed to be issued on a junior lien basis must be provided. A statement citing the legal authority for the source of revenues securing repayment must be provided.

Description of Security

The Series 2013 Bonds secured by a pledge of and lien on 5 percent of the Athletics Fee pursuant to Florida Statutes 1009.24, allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on premium seating revenues from the Baseball Stadium ("Premium Seating Revenues") and a pledge of and lien on \$500,000 of the amounts received from the university pursuant to a beverage agreement (the "Pouring Rights Agreement") currently between the University and Coca-Cola Refreshments USA, Inc., along with any future extensions or replacement beverage contracts. The UCFAA also may use donations associated with the project to prepay a portion of the Series 2013 Bonds.

The legal authority to use these funds is pursuant to Florida Statutes 1010.62 –paragraph 3(a) including *"those revenues derived from or received in relation to sales and services of auxiliary enterprises or component units of the university"* and *"revenues from the activity and service fee and the athletic fee may be used to pay and secure revenue bonds except that the annual debt service shall not exceed an amount equal to 5 percent of the fees collected during the most recent 12 consecutive months for which collection information is available prior to the sale of the bonds."*

The Pouring Rights Agreement revenues are also permitted revenue sources pursuant to paragraph 3(a) *"Revenues received from or in relation to sales and services of Auxiliary enterprises."*

Board of Governors – Debt Management Guidelines

UCF Athletic Association

f) A five-year history, if available, and five-year projection of the revenues securing payment and debt service coverage and:

- i) to the extent applicable, the projections must be shown on the individual project as well as the entire system;
- ii) all revenue items securing repayment must be shown as separate line items;
- iii) an explanation should be provided with regard to growth assumptions, and to the amount and status of approval of any rate increases;
- iv) the effect of the rate increases on the projections and expected revenues and expenses for the new facility should be shown as a separate line item;
- v) if rate increases are necessary, a commitment must be made to increase rates to the needed levels; and
- vi) major categories of any operating expenses should be shown as separate line items with an explanation of assumptions regarding increases or decreases.

Ten Year Financial Analysis – Revenue Securing Debt

Attached are two versions of the financial analysis showing a five-year history, and a five-year projection of the revenues that will be used to secure the debt. Version A uses the enrollment projections prepared by UCF's Office of University Analysis and Planning Support to determine the student fee revenue projections. Version B uses the enrollment for the 2012-13 year throughout the next five years to determine the student fee revenue projections.

Both versions project baseball premium seat sales at 50 percent (150 of 300 seats) of capacity in the premium seat area and a \$500,000 annual distribution from the University from its Pouring Rights Agreement.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

UCF Athletics Association, Inc.
History and Projection of Revenues Securing Payment
Version A - Based on current enrollment projections

	Actual										Projection				
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18				
Total student fee revenue for UCFAA	\$14,608,022	\$15,614,184	\$17,466,918	\$18,818,806	\$19,638,714	\$20,661,816	\$21,325,423	\$22,236,661	\$23,727,346	\$24,456,345	\$24,211,781				
5% of fees allowed for security	\$ 730,401	\$ 780,709	\$ 873,346	\$ 940,940	\$ 981,936	\$ 1,033,091	\$ 1,066,271	\$ 1,111,833	\$ 1,186,367	\$ 1,222,817	\$ 1,210,589				
Baseball premium seats							75,000	75,000	75,000	75,000	75,000				
Beverage agreement distribution	230,000	230,000	280,000	280,000	280,000	500,000	500,000	500,000	500,000	500,000	500,000				
Total	\$ 960,401	\$ 1,010,709	\$ 1,153,346	\$ 1,220,940	\$ 1,261,936	\$ 1,533,091	\$ 1,641,271	\$ 1,686,833	\$ 1,761,367	\$ 1,797,817	\$ 1,785,589				
Estimated debt service							413,597	1,040,894	1,044,588	1,043,000	1,041,188				
Debt coverage ratio							3.97	1.62	1.69	1.72	1.71				

NOTES:

- 1) Projected student fee revenues through 2016-17 are based on 99% of the current SCH projections by the Office of University Analysis and Planning Support at The University of Central Florida, at the current \$13.44 per SCH rate. For 2017-18, a 1% reduction in SCH was used for the purposes of projecting student fee revenue. The initial term in the current contract between Coca-Cola and the University is scheduled to expire on June 30, 2017. Per the contract, there is the option for both parties to automatically extend for two additional five-year terms.
- 2) Baseball premium seats estimated at 50% of capacity sold.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

UCF Athletics Association, Inc. History and Projection of Revenues Securing Payment Version B - No enrollment growth

	Actual					Projection						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
Total student fee revenue for UCFAA	\$ 14,608,022	\$ 15,614,184	\$ 17,466,918	\$ 18,818,806	\$ 19,638,714	\$ 20,661,816	\$ 20,661,816	\$ 20,661,816	\$ 20,661,816	\$ 20,661,816	\$ 20,661,816	
5% of fees allowed for security	\$ 730,401	\$ 780,709	\$ 873,346	\$ 940,940	\$ 981,936	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	
Baseball premium seats	230,000	230,000	280,000	280,000	280,000	500,000	500,000	500,000	500,000	500,000	500,000	
Beverage agreement distribution							75,000	75,000	75,000	75,000	75,000	
Total	\$ 960,401	\$ 1,010,709	\$ 1,153,346	\$ 1,220,940	\$ 1,261,936	\$ 1,533,091	\$ 1,608,091	\$ 1,608,091	\$ 1,608,091	\$ 1,608,091	\$ 1,608,091	

Estimated debt service
Debt coverage ratio

413,597 1,040,894 1,044,588 1,043,000 1,041,188
3.89 1.54 1.54 1.54 1.54

NOTES:

- 1) Projected student fee revenues through 2016-17 are based on 99% of the 2012-13 SCH projections by the Office of University Analysis and Planning Support at The University of Central Florida, at the current \$13.44 per SCH rate. The initial term in the current contract between Coca-Cola and the University is scheduled to expire on June 30, 2017. Per the contract, there is the option for both parties to automatically extend for two additional five-year terms.
- 2) Baseball premium seats estimated at 50% of capacity sold

Board of Governors – Debt Management Guidelines

UCF Athletic Association

g) If a request is made to employ a negotiated method of sale, an analysis must be provided supporting the selection of this method that includes a discussion of the factors set forth in section IV of the BOG Debt Management Guidelines.

The Series 2013 Bonds are anticipated to be sold through a negotiated sale. A negotiated sale is necessary due to the relatively new pledge of annual Student Athletic Fees collections and the amounts to be received and the structure of the University's Pouring Rights Agreement. These revenue sources will require additional premarketing by the underwriter to insure a low interest rate. An analysis showing that a negotiated sale is desirable for the Series 2013 Bonds is attached below. While UCFAA expects to issue the Series 2013 Bonds on a negotiated basis, if UCFAA is able to secure a bond rating in the A+ or better category a competitive sale will be re-evaluated.

The selection of the underwriters for Series 2013 Bonds will be done through an RFP process.

The following are the reasons that favor a negotiated sale over a competitive Sale. Pursuant to the Board of Governors' analysis of:

Board of Governors – Debt Management Guidelines

UCF Athletic Association

Debt Structure	Conditions Favoring a Competitive Sale	Conditions Favoring a Negotiated Sale	Sales Type Favored by Conditions	Explanation
Pledged Revenues	General obligations or strong revenue stream	Non-tax based on project supported revenues	N	The security source for the debt will be (1) a pledge of the 5 % of the Student Athletic Fee received by the University charged to students on a per credit hour basis (2) Premium Seating Revenues and (3) up to \$500,000 of the annual revenues received from the Pouring Rights Agreement including any renewals, extensions or replacement contract. The UCFAA anticipates using charitable contributions received under pledge agreements to prepay a portion the Series 2013 Bond under a special redemption provision. The rating agencies and bond investors are not as familiar with these revenue sources and thus may require additional education compared to more traditional revenue pledges such as parking and student housing revenues. Credit concerns are (1) a potential drop in student enrollment or number of credit hours will have a negative impact on Student Athletic Fees (2) restrictions on the ability to increase student fees and (3) the current beverage contract is only for 5 years with 2 five year extensions.
Security Structure	Conventional resolution and cash flow; rate covenant and coverage	Unusual or weak covenants	N	While the University can increase the Student Athletic Fee it is limited to the amount of potential increase under Florida Statutes 1009.24. Under the Statute the combined sum of the activity and

Board of Governors – Debt Management Guidelines

UCF Athletic Association

				service, health, and athletic fee shall not exceed 40% of the annual tuition. Within this 40% cap the University may not increase the aggregate sum of activity and service, health, and athletic fees more than 5% per year or the same percentage increase in tuition. This type of limited rate covenant favors a negotiated sale.
Debt Instrument	Traditional serial and term bonds, semi-annual interest and annual maturities	Use of innovative structuring, structure to attract particular investors	C/N	The Series 2013 Bond structure assumes a level principal and interest debt structure with standard 10 year call protection. The Series 2013 Bonds will also have either a cash funded debt service reserve ("DSR") or a DSR surety policy. This type of structure is standard in the bond market and should not be a major factor on whether the bonds are competitively or negotiated bid. Due to the desire to have the ability to prepay a portion of the bond at any time due to receipt of restricted donations the bonds will included a special mandatory redemption provision that will allow a portion of the bonds to be called at any time without penalty.
Size	A transaction the size of which the market is used to and can comfortably manage	A large size which the market cannot readily handle without the need to consolidate syndicates resulting in few bids	C/N	The size of the transaction should not be a major factor on whether the bonds are competitively or negotiated bid.

**A RESOLUTION AUTHORIZING THE ISSUANCE OF DEBT
AND REQUESTING THE BOARD OF TRUSTEES OF THE
UNIVERSITY OF CENTRAL FLORIDA TO APPROVE THE
ISSUANCE OF SUCH DEBT TO FINANCE AND REFINANCE
THE CONSTRUCTION OF CERTAIN ATHLETIC
FACILITIES FOR THE BENEFIT OF THE UNIVERSITY OF
CENTRAL FLORIDA, PROVIDING AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE UCF ATHLETICS
ASSOCIATION, INC.:**

Section 1. The Board of Directors (the "Board of Directors") of the UCF Athletics Association, Inc (the "DSO") established by the Board of Trustees (the "Board") of the University of Central Florida (the "University") hereby authorizes the issuance of debt by the DSO and requests the Board of Trustees of the University of Central Florida to approve the issuance of debt in an amount not exceeding \$17,590,000 (the "Debt") for the purpose of financing the construction, installation and equipping of additional seating and a new media and broadcast facility for the existing baseball stadium, a 22,000 square foot, two story athletics facility together with related infrastructure improvements and the refinancing of amounts due under a preexisting construction line of credit the proceeds of which financed certain capital athletic facility improvements (the "Project") all to be or previously constructed on the Orlando campus of the University or on land owned by the DSO.

Section 2. The Project will consist of (i) financing the costs of constructing and equipping a 300 seat elevated covered terrace to be added to the existing baseball stadium, a new media and broadcast facility and related infrastructure (the "Stadium Improvements") and the construction of a 22,000 square foot, two story athletic facility and related infrastructure (the "Athletics Building") and refinancing the costs of certain athletic facilities including track and field improvements, phase I baseball stadium improvements, softball stadium, rowing center, and a golf facility (the "Refinanced Improvements"). Each component of the Project located on the University's campus is reflected on the approved master plan for the University. Those components of the Refinanced Improvements not located on the campus which include the golf facility located at the Twin Rivers Golf Club and the rowing facility located on Lake Pickett are not required to be included in the master plan for the University. The Stadium Improvements and the Refinanced Improvements component of the Project are consistent with the mission of the University because, taken as a whole, will allow for increased capacity, improved patron experience, increase the likelihood of hosting NCAA postseason events, all of which will bring more visitors to campus. The Athletics Building, which will house the Student Athlete Leadership Center, will contribute to developing stronger students and leaders within the UCF community and will also positively impact graduation rates, which will boost the national stature of the University. Construction of the Stadium Improvements is expected to begin in July of 2013 and to be completed by February 2014. Construction of the Athletics Building is expected to begin in November of 2013 and to be completed by August 2014. Proceeds of the Debt are anticipated to be sufficient to complete the construction of the Stadium Improvements and the Athletics Building and refinance the Refinanced Improvements without the use of additional funds. Legislative approval of the Stadium

Attachment A

Improvements and the Athletics Building has been obtained pursuant to the General Appropriations Act of 2011. No proceeds of the Debt will be used to finance operating expenses of the University or the DSO.

Section 3. The Debt is being structured as a fixed rate long term bond issue with a final maturity no later than 25 years (the "Series 2013 Bonds") secured by a pledge of and lien on 5 percent of the Athletics Fee allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on \$500,000 of the annual amounts received pursuant to a beverage agreement (the "Pouring Rights Agreement") between the University and Coca-Cola Refreshments USA, Inc. and any contract renewals and extensions or replacement contracts and a pledge of and lien on premium seating revenues from the baseball stadium (the "Premium Seating Revenues"). The University is legally authorized to secure the Debt with the revenues to be pledged pursuant to section 1010.62, Florida Statutes. In addition, the DSO has a ten year pledge of approximately \$3 million dollars that will be earmarked to retire the Series 2013 Bonds as received. The University is also committed to ensuring that sufficient revenues will be generated to fulfill the University's obligations with respect to the Debt.

Section 4. The Debt will mature not more than 25 years after issuance, including any extensions or renewals thereof. The Project has an average estimated useful life which exceeds 25 years. The Series 2013 Bonds will bear interest at a fixed interest rate. Due to timing constraints relating to the construction of improvements to the baseball stadium and the need to complete the project in time for the 2014 season, following approval by the Board of Governors but prior to the issuance of the Series 2013 Bonds, the DSO may issue a short term bond anticipation note in a principal amount of approximately \$2,500,000 to a bank to commence construction of the baseball stadium. The bond anticipation note would be retired with proceeds of the Series 2013 Bonds.

Section 5. The Series 2013 Bonds are anticipated to be sold through a negotiated sale. A negotiated sale or private placement is necessary due to the relatively new pledge of annual Student Athletic Fees collections, the amounts to be received under the Pouring Rights Agreement and the Premium Seating Revenues. These revenue sources will require additional premarketing by the underwriter to insure a low interest rate. An analysis showing that a negotiated sale is desirable for the Series 2013 Bonds is attached in Appendix A. Any selection of one or more underwriters will be accomplished through a competitive selection process. Any bond insurance or other credit enhancement will be chosen through a competitive selection process analyzing the cost of the insurance or credit enhancement and the expected interest cost savings resulting from their use.

Section 6. The Board of Directors will comply, and will require the DSO to comply, with all requirements of federal and state law relating to the Debt, including but not limited to, laws relating to maintaining the exemption from taxation of interest payments on the Debt and continuing secondary market disclosure of information regarding the Debt.

Section 7. The DSO will comply with the Debt Management Guidelines and the debt management policy of the University.

Attachment A

Section 8. The Chairman, Executive Vice-President, and Secretary/Treasurer, their designees and other authorized representatives of the Board of Directors and the DSO are hereby authorized to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other actions as they may deem necessary or desirable, in connection with the execution, sale and delivery of the Debt.

Section 9. In making the determination to finance the Project, the Board of Directors has reviewed the information attached to Appendix A.

Section 10. This Resolution shall take effect immediately upon its adoption.

Adopted this _____ day of ____, 2013.

Attachment A

Appendix A

The following documents have been reviewed by the Board of Directors prior to the execution of this Resolution:

- a. the project program;
- b. a draw schedule for the project;
- c. sources and uses of funds for the project;
- d. an estimated debt service schedule;
- e. a description of the security supporting repayment and the lien position the debt will have on that security;
- f. a five year history, if available, and a five year projection, of the pledged revenues and the debt service coverage;
- g. any negotiated sale analysis.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

a) The project program, feasibility studies or consultant reports (if available), and an explanation of how the proposed project is consistent with the university's mission.

The Project will consist of three components including: (i) financing the costs of constructing and equipping a 300 seat elevated covered terrace to be added to the existing baseball stadium, a new media and broadcast facility and related infrastructure (the "Stadium Improvements") (ii) the construction of a 22,000 square foot, two story athletic facility and related infrastructure (the "Athletics Building") and (iii) refinancing the costs of certain athletic facilities including track and field improvements, phase I baseball stadium improvements, softball stadium, rowing center, and a golf facility (the "Refinanced Improvements"). These improvements are consistent with UCF's mission to provide services that enhance the intellectual, cultural, environmental, and economic development of the metropolitan region.

Improving the UCF Baseball stadium at Jay Bergman Field will have a positive impact for UCF and the metropolitan region. The improvements will allow for increased capacity, improved patron experience, and increase the likelihood of hosting NCAA Postseason events, all of which will bring more visitors to campus.

Likewise, the addition of the larger, more modern media and broadcast facility will not only complement the phase I expansion by giving the baseball stadium a completed look, it will enhance the existing seating areas by providing a covered concourse and much-needed shade.

The proposed Athletics Building will contain the Wayne Densch Center for Student Athlete Leadership (WDCSAL) that will offer UCF student-athletes further opportunity to grow academically and to prepare for a career in their chosen field. The WDCSAL will house Academic Services for Student-Athletes, Student Services, Career Services, NCAA Compliance, and the Student-Athlete Leadership Institute, all of which provide educational and developmental programming for UCF's student-athletes. The WDCSAL will contribute to developing stronger students and leaders within the UCF community and will also positively impact graduation rates, which will boost the national stature of the University. The Institute will also ensure stronger graduates, many of whom will obtain jobs in the Central Florida region, boosting the regional economy.

The Refinanced Improvements have provided many opportunities to expand and enhance the University's athletic program consistent with its mission. Refinancing the cost of these improvements will improve the University's budgeting process by taking advantage of historically low fixed interest rates and adding stability to its budgeting process by reducing its exposure to variable interest rates.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

BOARD OF GOVERNORS STATE UNIVERSITY SYSTEM OF FLORIDA

Project Summary University of Central Florida

Project Summary:

The Project will consist of three components including: (i) financing the costs of constructing and equipping a 300 seat elevated covered terrace to be added to the existing baseball stadium, a new media and broadcast facility and related infrastructure (the "Stadium Improvements") (ii) the construction of a 22,000 square foot, two story athletic facility and related infrastructure (the "Athletics Building") and (iii) refinancing the costs of certain athletic facilities including track and field improvements, phase I baseball stadium improvements, softball stadium, rowing center, and a golf facility (the "Refinanced Improvements").

Stadium Improvements

Project Description:

The Stadium Improvements constitute the second phase of improvements to the UCF Baseball Stadium. Phase II of the baseball stadium expansion project will add a 300-seat elevated terrace under roof directly behind home plate and a new media and broadcast facility.

Facility Site Location:

The proposed facility will be located on the University of Central Florida main campus in Orlando, Florida. The specific location is in the north section of campus consistent with the Campus Master Plan at the UCF Baseball Stadium.

Projected Timeline:

Design and Permitting – November 2012-May 2013

Construction – July 2013-January 2014

Completion – February 2014

Project Cost:

The construction of the proposed Stadium Improvements is estimated to be \$2,500,000.

Athletics Building

Project Description:

The Athletics Building will consist of a 22,000 square-foot, two-story facility that will house the new WDCSAL and office suites for the NCAA compliance staff, athletics student-services, and career services. Currently these services are provided on the south end of campus in the Wayne Densch Sports Center Buildings 38 and 39.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

This Athletics Building has been in discussion for several years, and with the focal point of Knights Athletics shifting to the northeast quadrant of campus, completion of this facility is desirable to locate these important facilities and services near the other athletic program facilities.

Facility Site Location: The Athletics Building will be located on the University of Central Florida main campus in Orlando, Florida. The specific location is in the north section of campus consistent with the Campus Master Plan, and adjacent to the east side of Bright House Networks Stadium.

Projected Timeline: Design and Permitting – March to October 2013
Construction – November 2013 to August 2014
Completion – August 2014

Project Cost: The construction of the Athletics Building is estimated at a total cost of \$6,500,000.

Refinanced Improvements

Project Description: To refinance the costs to construct, upgrade and expand the Refinanced Improvements that were originally financed in whole or in part by a construction line of credit with Fifth Third Bank entered into in 2004 (the "LOC").

Facility Site Location: The Refinanced Improvements, other than the golf facility and the rowing facility are located on the University of Central Florida main campus in Orlando, Florida. The golf facility is located at Twin Rivers Golf Club and the rowing facility is located on Lake Pickett.

Projected Timeline: The Refinanced Facilities have all been completed and placed in service.

Project Cost: The current outstanding balance on the LOC is \$7,500,000 and with quarterly amortization payments is expected to be \$7,000,000 by the time of closing.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

Combined Debt Issue

Financing Structure:

Security/Lien Structure:

The Debt is being structured as a fixed rate long term bond issue with a final maturity no later than 25 years (the "Series 2013 Bonds") secured by a pledge of and lien on 5 percent of the Athletics Fee allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on premium seating revenues from the Baseball Stadium ("Premium Seating Revenues") and a pledge of and lien on \$500,000 of the amounts received from the university pursuant to a beverage agreement (the "Pouring Rights Agreement") currently between the University and Coca-Cola Refreshments USA, Inc. along with any future extensions or replacement beverage contracts. Following approval by the Board of Governors but prior to issuance of the Series 2013 Bonds, the DSO may issue a short term Bond Anticipation Note to a bank to commence construction of the baseball stadium expansion. The Note will be retired with the proceeds of the Series 2013 Bond. The University is legally authorized to secure the Debt with the revenues to be pledged pursuant to section 1010.62, Florida Statutes. The University is also committed to ensuring that sufficient revenues will be generated to fulfill the University's obligations with respect to the Debt.

Pledged Revenues and Debt Service Coverage:

Based on current projections given by the Office of University Analysis and Planning Support at UCF, five percent of student fees will range from \$1,066,271 to \$1,222,817 per fiscal year. The annual commission distribution from the University's Pouring Rights Agreement to UCFAA is estimated to be approximately \$500,000. Premium seat sales, using 50 percent sales of available seats, will be \$75,000. With these projections, debt service coverage would be between 1.62x and 1.72x over the first five years.

If more conservative projections are used for student enrollment, five percent of student fees would be \$1,033,091 each year for five years. With beverage and premium seat revenues at \$500,000 and \$75,000, respectively, the debt service coverage would be at 1.54x.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

b) Estimated project cost, with schedules including start and completion dates, estimated useful life, and the date bond proceeds are required.

Stadium Improvements

Project Cost: \$2,500,000.
Projected Timeline: Design and Permitting – November 2012-May 2013
 Construction – July 2013-January 2014
 Completion – February 2014
Estimated Useful Life: 39 years
Proceeds Needed: July 2013

Estimated Draw Schedule

Beginning Balance		2,500,000
3rd Qtr 2013	611,912	1,888,088
4rd Qtr 2013	312,075	1,576,013
1st Qtr 2014	361,350	1,214,662
2nd Qtr 2014	441,000	773,663
3rd Qtr 2014	773,663	-

Athletics Building

Project Cost: \$6,500,000.
Projected Timeline: Design and Permitting – March to October 2013
 Construction – November 2013 to August 2014
 Completion – August 2014
Estimated Useful Life: 39 years
Proceeds Needed: Sept 2013

Estimated Draw Schedule

Beginning Balance		6,500,000
3rd Qtr 2013	1,045,527	5,454,473
4th Qtr 2013	901,549	4,552,924
1st Qtr 2014	1,043,899	3,509,025
2nd Qtr 2014	1,273,999	2,235,026
3rd Qtr 2014	2,235,026	-

Board of Governors – Debt Management Guidelines

UCF Athletic Association

c) The sources and uses of funds, clearly depicting all costs, funding sources expected to be used to complete the project and the estimated amount of the debt to be issued.

The attached table provides the estimated sources and uses of funds for the proposed Series 2013 Bonds. The bonds are expected to be secured by a pledge of and lien on 5 percent of the Athletics Fee allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on premium seating revenues from the Baseball Stadium ("Premium Seating Revenues") and a pledge of and lien on \$500,000 of the amounts received from the university pursuant to a beverage agreement (the "Pouring Rights Agreement") currently between the University and Coca-Cola Refreshments USA, Inc., along with any future extensions or replacement beverage contracts. The UCFAA also may use donations associated with the Project to prepay a portion of the Series 2013 Bonds.

Sources and Uses of Funds	
UCF Athletic Association	
Revenue Bonds, Series 2013	
BAM Insured Rates as of EOD 1/28/2013 + 25 bps	
Preliminary / Subject to Change	
Dated Date	7/1/2013
Delivery Date	7/1/2013
Sources:	
Bond Proceeds:	
Par Amount	17,590,000.00
Net Original Issue Discount	-88,089.90
	17,501,910.10
Uses:	
Project Fund Deposits:	
Payoff Amount for 53rd Construction Note	7,045,000.00
New Money	9,000,000.00
	16,045,000.00
Other Fund Deposits:	
Debt Service Reserve Fund	1,050,400.00
Delivery Date Expenses:	
Cost of Issuance	169,303.74
Underwriter's Discount	105,540.00
Bond Insurance(50bps)	131,666.36
	406,510.10
	17,501,910.10

Board of Governors – Debt Management Guidelines

UCF Athletic Association

- d) An estimated debt service schedule with the assumed interest rate on the debt clearly disclosed.

Estimated New Debt Service Schedule

The attached spreadsheet shows the estimated debt service associated with the Series 2013 Bonds. The financing assumes level annual debt service. The bonds assume a serial and term structure. Rates by maturity have also been included. The estimated average interest rate of 3.86 percent is based on current markets rates as of October 19th for an uninsured "A" rated bond plus 25 basis points.

Bond Debt Service
UCF Athletic Association
Revenue Bonds, Series 2013
BAM Insured Rates as of EOD 1/28/2013 + 25 bps
Preliminary / Subject to Change

FY	Principal	Interest	Debt Service
2014	0	413,596.88	413,596.88
2015	495,000	545,893.75	1,040,893.75
2016	510,000	534,587.50	1,044,587.50
2017	520,000	523,000.00	1,043,000.00
2018	530,000	511,187.50	1,041,187.50
2019	545,000	499,093.75	1,044,093.75
2020	555,000	486,718.75	1,041,718.75
2021	565,000	473,412.50	1,038,412.50
2022	580,000	458,375.00	1,038,375.00
2023	600,000	441,400.00	1,041,400.00
2024	615,000	422,790.63	1,037,790.63
2025	635,000	402,862.51	1,037,862.51
2026	655,000	381,900.01	1,036,900.01
2027	675,000	360,287.51	1,035,287.51
2028	700,000	337,943.76	1,037,943.76
2029	720,000	314,868.76	1,034,868.76
2030	745,000	291,062.51	1,036,062.51
2031	770,000	266,443.76	1,036,443.76
2032	795,000	240,515.63	1,035,515.63
2033	820,000	213,262.50	1,033,262.50
2034	850,000	185,081.25	1,035,081.25
2035	875,000	154,878.13	1,029,878.13
2036	910,000	122,525.01	1,032,525.01
2037	940,000	88,993.76	1,028,993.76
2038	975,000	54,284.38	1,029,284.38
2039	1,010,000	18,306.25	1,028,306.25
	17,590,000	8,743,271.99	26,333,271.99

Board of Governors – Debt Management Guidelines

UCF Athletic Association

- e) A description of the security supporting the repayment of the proposed debt and the lien position the debt will have on that security. If the lien is junior to any other debt, the senior debt must be described, and a description of why the debt is proposed to be issued on a junior lien basis must be provided. A statement citing the legal authority for the source of revenues securing repayment must be provided.

Description of Security

The Series 2013 Bonds secured by a pledge of and lien on 5 percent of the Athletics Fee pursuant to Florida Statutes 1009.24, allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on premium seating revenues from the Baseball Stadium ("Premium Seating Revenues") and a pledge of and lien on \$500,000 of the amounts received from the university pursuant to a beverage agreement (the "Pouring Rights Agreement") currently between the University and Coca-Cola Refreshments USA, Inc., along with any future extensions or replacement beverage contracts. The UCFAA also may use donations associated with the project to prepay a portion of the Series 2013 Bonds.

The legal authority to use these funds is pursuant to Florida Statutes 1010.62 –paragraph 3(a) including *"those revenues derived from or received in relation to sales and services of auxiliary enterprises or component units of the university"* and *"revenues from the activity and service fee and the athletic fee may be used to pay and secure revenue bonds except that the annual debt service shall not exceed an amount equal to 5 percent of the fees collected during the most recent 12 consecutive months for which collection information is available prior to the sale of the bonds."*

The Pouring Rights Agreement revenues are also permitted revenue sources pursuant to paragraph 3(a) *"Revenues received from or in relation to sales and services of Auxiliary enterprises."*

Board of Governors – Debt Management Guidelines

UCF Athletic Association

f) A five-year history, if available, and five-year projection of the revenues securing payment and debt service coverage and:

- i) to the extent applicable, the projections must be shown on the individual project as well as the entire system;
- ii) all revenue items securing repayment must be shown as separate line items;
- iii) an explanation should be provided with regard to growth assumptions, and to the amount and status of approval of any rate increases;
- iv) the effect of the rate increases on the projections and expected revenues and expenses for the new facility should be shown as a separate line item;
- v) if rate increases are necessary, a commitment must be made to increase rates to the needed levels; and
- vi) major categories of any operating expenses should be shown as separate line items with an explanation of assumptions regarding increases or decreases.

Ten Year Financial Analysis – Revenue Securing Debt

Attached are two versions of the financial analysis showing a five-year history, and a five-year projection of the revenues that will be used to secure the debt. Version A uses the enrollment projections prepared by UCF's Office of University Analysis and Planning Support to determine the student fee revenue projections. Version B uses the enrollment for the 2012-13 year throughout the next five years to determine the student fee revenue projections.

Both versions project baseball premium seat sales at 50 percent (150 of 300 seats) of capacity in the premium seat area and a \$500,000 annual distribution from the University from its Pouring Rights Agreement.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

UCF Athletics Association, Inc.
History and Projection of Revenues Securing Payment
Version A - Based on current enrollment projections

	Actual					Projection						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
Total student fee revenue for UCFAA	\$ 14,608,022	\$ 15,614,184	\$ 17,466,918	\$ 18,818,806	\$ 19,638,714	\$ 20,661,816	\$ 21,325,423	\$ 22,236,661	\$ 23,727,346	\$ 24,456,345	\$ 24,211,781	
5% of fees allowed for security	\$ 730,401	\$ 780,709	\$ 873,346	\$ 940,940	\$ 981,936	\$ 1,033,091	\$ 1,066,271	\$ 1,111,833	\$ 1,186,367	\$ 1,222,817	\$ 1,210,589	
Baseball premium seats						-	75,000	75,000	75,000	75,000	75,000	
Beverage agreement distribution	230,000	230,000	280,000	280,000	280,000	500,000	500,000	500,000	500,000	500,000	500,000	
Total	\$ 960,401	\$ 1,010,709	\$ 1,153,346	\$ 1,220,940	\$ 1,261,936	\$ 1,533,091	\$ 1,641,271	\$ 1,686,833	\$ 1,761,367	\$ 1,797,817	\$ 1,785,589	

Estimated debt service

413,597 1,040,894 1,044,588 1,043,000 1,041,188

Debt coverage ratio

3.97 1.62 1.69 1.72 1.71

NOTES:

- 1) Projected student fee revenues through 2016-17 are based on 99% of the current SCH projections by the Office of University Analysis and Planning Support at The University of Central Florida, at the current \$13.44 per SCH rate. For 2017-18, a 1% reduction in SCH was used for the purposes of projecting student fee revenue. The initial term in the current contract between Coca-Cola and the University is scheduled to expire on June 30, 2017. Per the contract, there is the option for both parties to automatically extend for two additional five-year terms.
- 2) Baseball premium seats estimated at 50% of capacity sold.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

UCF Athletics Association, Inc.

History and Projection of Revenues Securing Payment

Version B - No enrollment growth

	Actual					Projection						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
Total student fee revenue for UCFAA	\$14,608,022	\$15,614,184	\$17,466,918	\$18,818,806	\$19,638,714	\$20,661,816	\$20,661,816	\$20,661,816	\$20,661,816	\$20,661,816	\$20,661,816	
5% of fees allowed for security	\$ 730,401	\$ 780,709	\$ 873,346	\$ 940,940	\$ 981,936	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	
Baseball premium seats							75,000	75,000	75,000	75,000	75,000	
Beverage agreement distribution	230,000	230,000	280,000	280,000	280,000	500,000	500,000	500,000	500,000	500,000	500,000	
Total	\$ 960,401	\$ 1,010,709	\$ 1,153,346	\$ 1,220,940	\$ 1,261,936	\$ 1,533,091	\$ 1,608,091	\$ 1,608,091	\$ 1,608,091	\$ 1,608,091	\$ 1,608,091	

NOTES:

- 1) Projected student fee revenues through 2016-17 are based on 99% of the 2012-13 SCH projections by the Office of University Analysis and Planning Support at The University of Central Florida, at the current \$13.44 per SCH rate. The initial term in the current contract between Coca-Cola and the University is scheduled to expire on June 30, 2017. Per the contract, there is the option for both parties to automatically extend for two additional five-year terms.
- 2) Baseball premium seats estimated at 50% of capacity sold

Board of Governors – Debt Management Guidelines

UCF Athletic Association

g) If a request is made to employ a negotiated method of sale, an analysis must be provided supporting the selection of this method that includes a discussion of the factors set forth in section IV of the BOC Debt Management Guidelines.

The Series 2013 Bonds are anticipated to be sold through a negotiated sale. A negotiated sale is necessary due to the relatively new pledge of annual Student Athletic Fees collections and the amounts to be received and the structure of the University's Pouring Rights Agreement. These revenue sources will require additional premarketing by the underwriter to insure a low interest rate. An analysis showing that a negotiated sale is desirable for the Series 2013 Bonds is attached below. While UCFAA expects to issue the Series 2013 Bonds on a negotiated basis, if UCFAA is able to secure a bond rating in the A+ or better category a competitive sale will be re-evaluated.

The selection of the underwriters for Series 2013 Bonds will be done through an RFP process.

The following are the reasons that favor a negotiated sale over a competitive Sale. Pursuant to the Board of Governors' analysis of:

Board of Governors – Debt Management Guidelines

UCF Athletic Association

Debt Structure	Conditions of Debt (Competitive Bid)	Conditions of Debt (Non-Competitive Bid)	Explanation
Pledged Revenues	General obligations or strong revenue stream	Non-tax based on project supported revenues	The security source for the debt will be (1) a pledge of the 5 % of the Student Athletic Fee received by the University charged to students on a per credit hour basis (2) Premium Seating Revenues and (3) up to \$500,000 of the annual revenues received from the Pouring Rights Agreement including any renewals, extensions or replacement contract. The UCFAA anticipates using charitable contributions received under pledge agreements to prepay a portion the Series 2013 Bond under a special redemption provision. The rating agencies and bond investors are not as familiar with these revenue sources and thus may require additional education compared to more traditional revenue pledges such as parking and student housing revenues. Credit concerns are (1) a potential drop in student enrollment or number of credit hours will have a negative impact on Student Athletic Fees (2) restrictions on the ability to increase student fees and (3) the current beverage contract is only for 5 years with 2 five year extensions.
Security Structure	Conventional resolution and cash flow; rate covenant and coverage	Unusual or weak covenants	While the University can increase the Student Athletic Fee it is limited to the amount of potential increase under Florida Statutes 1009.24. Under the Statue the combined sum of the activity and

Board of Governors – Debt Management Guidelines

UCF Athletic Association

				service, health, and athletic fee shall not exceed 40% of the annual tuition. Within this 40% cap the University may not increase the aggregate sum of activity and service, health, and athletic fees more than 5% per year or the same percentage increase in tuition. This type of limited rate covenant favors a negotiated sale.
Debt Instrument	Traditional serial and term bonds, semi-annual interest and annual maturities	Use of innovative structuring, structure to attract particular investors	C/N	The Series 2013 Bond structure assumes a level principal and interest debt structure with standard 10 year call protection. The Series 2013 Bonds will also have either a cash funded debt service reserve ("DSR") or a DSR surety policy. This type of structure is standard in the bond market and should not be a major factor on whether the bonds are competitively or negotiated bid. Due to the desire to have the ability to prepay a portion of the bond at any time due to receipt of restricted donations the bonds will included a special mandatory redemption provision that will allow a portion of the bonds to be called at any time without penalty.
Size	A transaction the size of which the market is used to and can comfortably manage	A large size which the market cannot readily handle without the need to consolidate syndicates resulting in few bids	C/N	The size of the transaction should not be a major factor on whether the bonds are competitively or negotiated bid.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

2) The project program, feasibility studies or consultant reports (if available), and an explanation of how the proposed project is consistent with the university's mission.

The Project will consist of three components including: (i) financing the costs of constructing and equipping a 300 seat elevated covered terrace to be added to the existing baseball stadium, a new media and broadcast facility and related infrastructure (the "Stadium Improvements") (ii) the construction of a 22,000 square foot, two story athletic facility and related infrastructure (the "Athletics Building") and (iii) refinancing the costs of certain athletic facilities including track and field improvements, phase I baseball stadium improvements, softball stadium, rowing center, and a golf facility (the "Refinanced Improvements"). These improvements are consistent with UCF's mission to provide services that enhance the intellectual, cultural, environmental, and economic development of the metropolitan region.

Improving the UCF Baseball stadium at Jay Bergman Field will have a positive impact for UCF and the metropolitan region. The improvements will allow for increased capacity, improved patron experience, and increase the likelihood of hosting NCAA Postseason events, all of which will bring more visitors to campus.

Likewise, the addition of the larger, more modern media and broadcast facility will not only complement the phase I expansion by giving the baseball stadium a completed look, it will enhance the existing seating areas by providing a covered concourse and much-needed shade.

The proposed Athletics Building will contain the Student-Athlete Leadership Center that will offer UCF student-athletes further opportunity to grow academically and to prepare for a career in their chosen field. The Student-Athlete Leadership Center will house Academic Services for Student-Athletes, Student Services, Career Services, NCAA Compliance, and the Student-Athlete Leadership Institute, all of which provide educational and developmental programming for UCF's student-athletes. The Student-Athlete Leadership Center will contribute to developing stronger students and leaders within the UCF community and will also positively impact graduation rates, which will boost the national stature of the University. The Institute will also ensure stronger graduates, many of whom will obtain jobs in the Central Florida region, boosting the regional economy.

The Refinanced Improvements have provided many opportunities to expand and enhance the Universities athletic program consistent with its mission. Refinancing the cost of these improvements will improve the University's budgeting process by taking advantage of historically low fixed interest rates and adding stability to its budgeting process by reducing its exposure to variable interest rates.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

BOARD OF GOVERNORS STATE UNIVERSITY SYSTEM OF FLORIDA

Project Summary University of Central Florida

Project Summary:

The Project will consist of three components including: (i) financing the costs of constructing and equipping a 300 seat elevated covered terrace to be added to the existing baseball stadium, a new media and broadcast facility and related infrastructure (the "Stadium Improvements") (ii) the construction of a 22,000 square foot, two-story athletic facility and related infrastructure (the "Athletics Building") and (iii) refinancing the costs of certain athletic facilities including track and field improvements, phase I baseball stadium improvements, softball stadium, rowing center, and a golf facility (the "Refinanced Improvements").

Stadium Improvements

Project Description:

The Stadium Improvements constitute the second phase of improvements to the UCF Baseball Stadium. Phase II of the baseball stadium expansion project will add a 300-seat elevated terrace under roof directly behind home plate and a new media and broadcast facility.

Facility Site Location:

The proposed facility will be located on the University of Central Florida main campus in Orlando, Florida. The specific location is in the north section of campus consistent with the Campus Master Plan at the UCF Baseball Stadium.

Projected Timeline:

Design and Permitting – November 2012-May 2013
Construction – June 2013-January 2014
Completion – February 2014

Project Cost :

The construction of the proposed Stadium Improvements is estimated to be \$2,500,000.

Athletics Building

Project Description:

The Athletics Building will consist of a 22,000 square-foot, two-story facility that will house the new Wayne Densch Student-Athlete Leadership Center and office suites for the NCAA compliance staff, athletics student-services, and career services. Currently these services are provided on the south end of campus in the Wayne Densch Sports Center Buildings 38 and 39.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

This Athletics Building has been in discussion for several years, and with the focal point of Knights Athletics shifting to the northeast quadrant of campus, completion of this facility is desirable to locate these important facilities and services near the other athletic program facilities.

Facility Site Location:

The Athletics Building will be located on the University of Central Florida main campus in Orlando, Florida. The specific location is in the north section of campus consistent with the Campus Master Plan, and adjacent to the east side of Bright House Networks Stadium.

Projected Timeline:

Design and Permitting – April to August 2013
Construction – September 2013 to June 2014
Completion – June 2014

Project Cost:

The construction of the Athletics Building is estimated at a total cost of \$6,500,000.

Refinanced Improvements

Project Description:

To refinance the costs to construct, upgrade and expand the Refinanced Improvements that were originally financed in whole or in part by a construction line of credit with Fifth Third Bank entered into in 2004 (the "LOC").

Facility Site Location:

The Refinanced Improvements, other than the golf facility and the rowing facility are located on the University of Central Florida main campus in Orlando, Florida. The golf facility is located Twin Rivers Golf Club and the rowing facility is located on Lake Pickett.

Projected Timeline:

The Refinanced Facilities have all been completed and placed in service.

Project Cost:

The current outstanding balance on the LOC is \$7,500,000 and with quarterly amortization payments is expected to be \$7,000,000 by the time of closing.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

Combined Debt Issue

Financing Structure:

Security/Lien Structure:

The Debt is being structured with a fixed rate long term bond issue with a final maturity no later than 25 years (the "Series 2013 Debt") secured by a pledge of and lien on 5 percent of the Athletics Fee allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on premium seating revenues from the Baseball Stadium ("Premium Seating Revenues") and a pledge of and lien on amounts received from the university pursuant to a beverage agreement (the "Pouring Rights Agreement") currently between the University and Coca-Cola Refreshments USA, Inc, along with any future extensions or replacement beverage contracts. The University is legally authorized to secure the Debt with the revenues to be pledged pursuant to section 1010.62, Florida Statutes. The University is also committed to ensuring that sufficient revenues will be generated to fulfill the University's obligations with respect to the Debt.

Pledged Revenues and Debt Service Coverage:

Based on current projections given by the Office of University Analysis and Planning Support at UCF, 5 percent of student fees will range from \$1,066,271 to \$1,222,817 per fiscal year. The annual commission distribution from the University's Pouring Rights Agreement to UCFAA is estimated to be approximately \$500,000. Premium seat sales, using 50 percent sales of available seats, will be \$75,000. With these projections, debt service coverage would be between 1.43x and 1.56x over the first five years.

If more conservative projections are used for student enrollment, 5 percent of student fees would be \$1,033,091 each year for five years. With beverage and premium seat revenues at \$500,000 and \$75,000, respectively, the debt service coverage would be at 1.40x.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

- 3) Estimated project cost, with schedules including start and completion dates, estimated useful life, and the date bond proceeds are required.

Stadium Improvements

Project Cost: \$2,500,000.
Projected Timeline: Design and Permitting – November 2012-May 2013
 Construction – July 2013-January 2014
 Completion – February 2014
Estimated Useful Life: 39 years
Proceeds Needed: July 2013

Estimated Draw Schedule

Beginning Balance		2,500,000
3rd Qtr 2013	611,912	1,888,088
4rd Qtr 2013	312,075	1,576,013
1st Qtr 2014	361,350	1,214,662
2st Qtr 2014	441,000	773,663
3rd Qtr 2014	773,663	-

Athletics Building

Project Cost: \$6,500,000.
Projected Timeline: Design and Permitting –March to October 2013
 Construction – November 2013 to August 2014
 Completion – August 2014
Estimated Useful Life: 39 years
Proceeds Needed: Sept 2013

Estimated Draw Schedule

Beginning Balance		6,500,000
3st Qtr 2013	1,045,527	5,454,473
4rd Qtr 2013	901,549	4,552,924
1st Qtr 2014	1,043,899	3,509,025
2st Qtr 2014	1,273,999	2,235,026
3rd Qtr 2014	2,235,026	-

Board of Governors – Debt Management Guidelines

UCF Athletic Association

- 4) The sources and uses of funds, clearly depicting all costs, funding sources expected to be used to complete the project and the estimated amount of the debt to be issued.

The attached table provides the estimated sources and uses of funds for the proposed Series 2013 Bonds. The bonds are expected to be secured by a pledge of and lien on 5 percent of the Athletics Fee allowed to be pledged under 1010.62, Florida Statutes, a pledge of and lien on premium seating revenues from the Baseball Stadium ("Premium Seating Revenues") and a pledge of and lien on \$500,000 of the amounts received from the university pursuant to a beverage agreement (the "Pouring Rights Agreement") currently between the University and Coca-Cola Refreshments USA, Inc, along with any future extensions or replacement beverage contracts. The UCFAA also may use donations associated with the Project to prepay a portion of the Series 2013 Bonds.

Sources and Uses of Funds		
UCF Athletic Association		
Revenue Bonds, Series 2013		
BAM Insured Rates as of EOD 1/28/2013 + 25 bps		
Preliminary / Subject to Change		
Dated Date	7/1/2013	
Delivery Date	7/1/2013	
Sources:		
Bond Proceeds:		
Par Amount		17,590,000.00
Net Original Issue Discount		-88,089.90
		17,501,910.10
Uses:		
Project Fund Deposits:		
Payoff Amount for 53rd Construction Note		7,045,000.00
New Money		9,000,000.00
		16,045,000.00
Other Fund Deposits:		
Debt Service Reserve Fund		1,050,400.00
Delivery Date Expenses:		
Cost of Issuance		169,303.74
Underwriter's Discount		105,540.00
Bond Insurance(50bps)		131,666.36
		406,510.10
		17,501,910.10

Board of Governors – Debt Management Guidelines

UCF Athletic Association

- 5) An estimated debt service schedule with the assumed interest rate on the debt clearly disclosed.

Estimated New Debt Service Schedule

The attached spreadsheet shows the estimated debt service associated with the Series 2013 Bonds. The financing assumes level annual debt service. The bonds assume a serial and term structure. Rates by maturity have also been included. The estimated average interest rate of 3.86 percent is based on current markets rates as of October 19th for an uninsured "A" rated bond plus 25 basis points.

Bond Debt Service			
UCF Athletic Association			
Revenue Bonds, Series 2013			
BAM Insured Rates as of EOD 1/28/2013 + 25 bps			
Preliminary / Subject to Change			
FY	Principal	Interest	Debt Service
2014	0	413,596.88	413,596.88
2015	495,000	545,893.75	1,040,893.75
2016	510,000	534,587.50	1,044,587.50
2017	520,000	523,000.00	1,043,000.00
2018	530,000	511,187.50	1,041,187.50
2019	545,000	499,093.75	1,044,093.75
2020	555,000	486,718.75	1,041,718.75
2021	565,000	473,412.50	1,038,412.50
2022	580,000	458,375.00	1,038,375.00
2023	600,000	441,400.00	1,041,400.00
2024	615,000	422,790.63	1,037,790.63
2025	635,000	402,862.51	1,037,862.51
2026	655,000	381,900.01	1,036,900.01
2027	675,000	360,287.51	1,035,287.51
2028	700,000	337,943.76	1,037,943.76
2029	720,000	314,868.76	1,034,868.76
2030	745,000	291,062.51	1,036,062.51
2031	770,000	266,443.76	1,036,443.76
2032	795,000	240,515.63	1,035,515.63
2033	820,000	213,262.50	1,033,262.50
2034	850,000	185,081.25	1,035,081.25
2035	875,000	154,878.13	1,029,878.13
2036	910,000	122,525.01	1,032,525.01
2037	940,000	88,993.76	1,028,993.76
2038	975,000	54,284.38	1,029,284.38
2039	1,010,000	18,306.25	1,028,306.25
	17,590,000	8,743,271.99	26,333,271.99

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UCF Athletic Association

6) One consolidated debt service schedule separately showing all outstanding debt related to or impacting the proposed debt, the new debt and the new estimated total debt service.

N/A. There is no outstanding debt that is related or will be impacted by the proposed debt.

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UCF Athletic Association

- 7) A description of the security supporting the repayment of the proposed debt and the lien position the debt will have on that security. If the lien is junior to any other debt, the senior debt must be described, and a description of why the debt is proposed to be issued on a junior lien basis must be provided. A statement citing the legal authority for the source of revenues securing repayment must be provided.

Description of Security

The Series 2013 Bonds secured by a pledge of and lien on 5 percent of the Athletics Fee pursuant to Florida Statutes 1009.24, Florida Statutes, allowed to be pledged under 1010.62, a pledge of and lien on premium seating revenues from the Baseball Stadium ("Premium Seating Revenues") and a pledge of and lien on \$500,000 of the amounts received from the university pursuant to a beverage agreement (the "Pouring Rights Agreement") currently between the University and Coca-Cola Refreshments USA, Inc., along with any future extensions or replacement beverage contracts. The UCFAA also may use donations associated with the project to prepay a portion of the Series 2013 Bonds.

The legal authority to use these funds is pursuant to Florida Statutes 1010.62 –paragraph 3(a) including *"those revenues derived from or received in relation to sales and services of auxiliary enterprises or component units of the university"* and *"revenues from the activity and service fee and the athletic fee may be used to pay and secure revenue bonds except that the annual debt service shall not exceed an amount equal to 5 percent of the fees collected during the most recent 12 consecutive months for which collection information is available prior to the sale of the bonds."*

The Pouring Rights Agreement revenues are also permitted revenue sources pursuant to paragraph 3(a) *"Revenues received from or in relation to sales and services of Auxiliary enterprises."*

Board of Governors – Debt Management Guidelines

UCF Athletic Association

- 8) If debt is to be incurred on a parity basis with outstanding debt, a schedule showing estimated compliance with any additional bonds requirement set forth in the documents governing the outstanding debt. The applicable provisions of the documents for bonds of DSOs should be provided.

Parity Basis Security

There are no other obligations currently secured on parity with the Series 2013 Bonds.

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Board of Governors – Debt Management Guidelines

UCF Athletic Association

9) Financial statements for five years, if available, for the auxiliary, if revenues are pledged.

UCFAA Financial Statements

Attached are the UCFAA Financial Statements from the previous five years.

Attachment I

UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS

Current assets	\$ 3,178,517
Cash and cash equivalents	948,533
Accounts receivable, net	716,991
Due from the University of Central Florida	345,890
Due from the University of Central Florida Foundation, Inc.	805,796
Due from the Golden Knights Corporation	21,073
Due from the UCF Convocation Corporation	68,667
Prepaid expenses and other current assets	<u>6,085,467</u>
Total current assets	
Noncurrent assets	12,305,842
Capital assets, net of accumulated depreciation	2,463,880
Capital assets not being depreciated	<u>14,769,722</u>
Total noncurrent assets	
Total Assets	<u><u>\$ 20,855,189</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	\$ 1,018,073
Accounts payable and accrued expenses	279,384
Due to the University of Central Florida Foundation, Inc.	39,727
Due to the Golden Knights Corporation	3,896,837
Deferred ticket revenue	5,386,610
Line of credit	73,600
Current portion of compensated absences	34,570
Current portion of capital lease payable	<u>10,728,801</u>
Total current liabilities	
Noncurrent liabilities	10,345,852
Notes and interest payable to the University of Central Florida	64,363
Capital lease payable, less current portion	299,546
Compensated absences, less current portion	<u>10,709,761</u>
Total noncurrent liabilities	
Total liabilities	<u><u>21,438,562</u></u>

NET ASSETS

Net assets	9,284,179
Invested in capital assets, net of related debt	(9,867,552)
Unrestricted	<u>\$ (583,373)</u>
Total net assets	

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

Attachment I

UCF ATHLETICS ASSOCIATION, INC. STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2008

Operating revenues	\$ 14,608,022
Student athletic fees	5,795,696
Game tickets	3,306,857
Conference and NCAA distributions	1,769,110
Out-of-state fee waivers	1,753,086
Sponsorships	783,794
Other	634,000
Game guarantees	350,264
Surcharge on game tickets	<u>29,000,829</u>
Total operating revenues	
Operating expenses	11,526,812
Salaries and benefits	4,386,974
Scholarships	3,541,618
Travel	2,410,429
Independent contractors	2,153,447
Athletic supplies and subsistence	1,769,110
Out-of-state fee waivers	952,815
Other general and administrative expenses	823,402
Depreciation and amortization	675,204
Rents and leases	582,917
Office expenses	452,212
Utilities	417,621
Insurance	329,699
Repairs and maintenance	273,650
Printing	247,619
Game guarantees	246,394
Telephone	189,052
Other sports team expenses	109,784
Professional fees	100,000
University overhead	86,268
Fundraising expenses	<u>31,275,027</u>
Total operating expenses	<u>(2,274,198)</u>
Operating loss	
Nonoperating revenues (expenses)	268,359
Contributions from the University of Central Florida - Gender Equity Allocation	3,746,910
Contributions	(1,645,865)
Transfers to the Golden Knights Corporation, net	610,282
Transfers from the UCF Convocation Corporation	(269,169)
Transfer to the University of Central Florida Foundation, Inc.	82,751
Interest income	(676,635)
Interest expense	6,449
Gain of sale of capital assets	<u>2,123,082</u>
Total nonoperating revenues (expenses)	<u>(151,116)</u>
Decrease in net assets	(432,257)
Net assets, beginning of year	\$ (583,373)
Net assets, end of year	

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

Attachment I
UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2009

ASSETS

Current assets	\$ 4,153,895
Cash and cash equivalents	1,634,673
Accounts receivable, net	374,397
Due from the University of Central Florida Foundation, Inc.	230,304
Due from the Golden Knights Corporation	47,520
Due from the UCF Convocation Corporation	59,649
Prepaid expenses and other current assets	<u>6,500,438</u>
Total current assets	
Noncurrent assets	444,525
Due from the University of Central Florida Foundation, Inc.	16,326,195
Capital assets, net of accumulated depreciation	700,272
Capital assets not being depreciated	<u>17,470,992</u>
Total noncurrent assets	
Total Assets	<u><u>\$ 23,971,430</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	\$ 722,034
Accounts payable and accrued expenses	47,610
Due to the University of Central Florida Foundation, Inc.	4,055,398
Deferred ticket revenue	7,645,930
Line of credit	37,847
Current portion of compensated absences	2,633,026
Current portion of long term debt	26,044
Current portion of capital lease payable	<u>15,167,889</u>
Total current liabilities	
Noncurrent liabilities	8,366,073
Notes payable to the University of Central Florida, less current portion	762,307
Long term debt, less current portion	39,530
Capital lease payable, less current portion	360,619
Compensated absences, less current portion	<u>9,528,529</u>
Total noncurrent liabilities	
Total liabilities	<u><u>24,696,418</u></u>

NET ASSETS

Net assets	9,006,994
Invested in capital assets, net of related debt	(9,731,982)
Unrestricted	<u>\$ (724,988)</u>
Total net assets	

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

Attachment I

**UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009**

Operating revenues	\$ 15,614,184
Student athletic fees	5,906,046
Game tickets	2,868,957
Conference and NCAA distributions	1,871,500
Out-of-state fee waivers	1,935,264
Sponsorships	2,986,874
Contributions	568,060
Other	964,629
Game guarantees	369,001
Surcharge on game tickets	<u>33,084,515</u>
Total operating revenues	
Operating expenses	11,457,977
Salaries and benefits	4,116,131
Scholarships	3,113,851
Travel	3,282,686
Independent contractors	2,220,547
Athletic supplies and subsistence	1,871,500
Out-of-state fee waivers	626,921
Other general and administrative expenses	907,047
Depreciation and amortization	963,770
Rents and leases	416,765
Office expenses	570,173
Utilities	344,278
Insurance	257,094
Repairs and maintenance	222,783
Printing	1,064,359
Game guarantees	293,562
Telephone	104,676
Other sports team expenses	89,634
Professional fees	100,000
University overhead	<u>32,023,754</u>
Total operating expenses	
	<u>1,060,761</u>
Operating income	
Nonoperating revenues (expenses)	268,359
Contributions from the University of Central Florida - Gender Equity Allocation	562,452
Capital contributions from the University of Central Florida Foundation, Inc.	(125,000)
Contribution expense to other UCF Organizations	(1,348,770)
Transfers to the Golden Knights Corporation, net	42,206
Interest income	(601,623)
Interest expense	<u>(1,202,376)</u>
Total nonoperating revenues (expenses)	
	<u>(141,615)</u>
Decrease in net assets	(583,373)
Net assets, beginning of year	\$ (724,988)
Net assets, end of year	

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

Attachment I
UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Current assets	\$ 2,862,957
Cash and cash equivalents	1,865,323
Accounts receivable, net	172,708
Due from the University of Central Florida Foundation, Inc.	9,560
Due from the UCF Convocation Corporation	980,713
Prepaid expenses and other current assets	<u>5,891,261</u>
Total current assets	
Noncurrent assets	282,850
Due from the University of Central Florida Foundation, Inc.	15,776,033
Capital assets, net of accumulated depreciation	809,779
Capital assets not being depreciated	<u>16,868,662</u>
Total noncurrent assets	
Total Assets	<u><u>\$ 22,759,923</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	\$ 680,638
Accounts payable and accrued expenses	291,000
Due to the UCF Convocation Corporation	3,580,193
Deferred ticket revenue	7,348,181
Line of credit	119,710
Current portion of compensated absences	336,442
Current portion of long term debt	21,444
Current portion of capital lease payable	<u>12,377,608</u>
Total current liabilities	
Noncurrent liabilities	10,353,876
Notes payable to the University of Central Florida, less current portion	237,411
Long term debt, less current portion	20,895
Capital lease payable, less current portion	433,206
Compensated absences, less current portion	<u>11,045,388</u>
Total noncurrent liabilities	
Total liabilities	<u><u>23,422,996</u></u>

NET ASSETS

Net assets	8,930,210
Invested in capital assets, net of related debt	(9,593,283)
Unrestricted	<u>\$ (663,073)</u>
Total net assets	

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

Attachment I

UCF ATHLETICS ASSOCIATION, INC. STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2010

Operating revenues	\$ 17,466,918
Student athletic fees	6,081,702
Game tickets	3,337,076
Conference and NCAA distributions	1,882,629
Out-of-state fee waivers	2,318,724
Sponsorships	3,634,842
Contributions	523,747
Other	444,839
Game guarantees	<u>35,690,477</u>
Total operating revenues	
Operating expenses	11,716,855
Salaries and benefits	4,280,845
Scholarships	2,961,585
Travel	3,369,859
Independent contractors	1,768,586
Athletic supplies and subsistence	1,882,629
Out-of-state fee waivers	813,889
Other general and administrative expenses	910,653
Depreciation and amortization	846,924
Rents and leases	616,380
Office expenses	350,459
Utilities	550,517
Insurance	291,133
Repairs and maintenance	165,621
Printing	1,080,122
Game guarantees	269,154
Telephone	65,754
Other sports team expenses	103,897
Professional fees	100,000
University overhead	<u>32,144,862</u>
Total operating expenses	
	<u>3,545,615</u>
Operating income	
Nonoperating revenues (expenses)	268,359
Contributions from the University of Central Florida - Gender Equity Allocation	(1,583,263)
Contribution expense to other UCF Organizations	(1,613,034)
Transfers to the Golden Knights Corporation, net	36,641
Interest income	(617,147)
Interest expense	24,744
Gain of sale of capital assets	<u>(3,483,700)</u>
Total nonoperating revenues (expenses)	
	<u>61,915</u>
Increase in net assets	(724,988)
Net assets, beginning of year	\$ (663,073)
Net assets, end of year	

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

Attachment I
UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Current assets	\$ 2,166,224
Cash and cash equivalents	1,467,122
Accounts receivable, net	325,053
Due from the University of Central Florida Foundation, Inc.	39,580
Due from the UCF Convocation Corporation	27,858
Due from the Golden Knights Corporation	298,530
Prepaid expenses and other current assets	<u>4,324,367</u>
Total current assets	
 Noncurrent assets	 137,110
Due from the University of Central Florida Foundation, Inc.	16,159,059
Capital assets, net of accumulated depreciation	704,772
Capital assets not being depreciated	<u>17,000,941</u>
Total noncurrent assets	
 Total assets	 <u>21,325,308</u>

LIABILITIES

Current liabilities	1,214,504
Accounts payable and accrued expenses	12,941
Due to the University of Central Florida Foundation, Inc.	10,000
Due to the Golden Knights Corporation	2,728,026
Deferred ticket revenue	7,143,181
Line of credit	139,774
Current portion of compensated absences	27,818
Current portion of long term debt	17,292
Capital lease payable	<u>11,293,536</u>
Total current liabilities	
 Noncurrent liabilities	 10,353,159
Notes payable to the University of Central Florida	199,300
Long term debt, less current portion	360,639
Compensated absences, less current portion	<u>10,913,098</u>
Total noncurrent liabilities	
 Total liabilities	 <u>22,206,634</u>

NET ASSETS

Net assets	9,476,240
Invested in capital assets, net of related debt	(10,357,566)
Unrestricted	<u>\$ (881,326)</u>
Total net assets	

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

Attachment I
UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

Operating revenues	\$ 18,818,806
Student athletic fees	5,211,120
Game tickets	3,826,564
Conference and NCAA distributions	2,045,448
Out-of-state fee waivers	2,686,010
Sponsorships	3,403,831
Contributions	488,094
Other	662,550
Game guarantees	<u>37,142,423</u>
Total operating revenues	
Operating expenses	12,343,862
Salaries and benefits	4,535,602
Scholarships	3,522,994
Travel	3,556,934
Independent contractors	2,660,085
Athletic supplies and subsistence	2,045,448
Out-of-state fee waivers	1,357,276
Other general and administrative expenses	875,386
Depreciation and amortization	853,110
Rents and leases	504,299
Office expenses	447,375
Utilities	611,851
Insurance	265,355
Repairs and maintenance	132,383
Printing	933,179
Game guarantees	267,874
Telephone	122,031
Other sports team expenses	100,000
University overhead	<u>35,135,044</u>
Total operating expenses	
	<u>2,007,379</u>
Operating income	
Nonoperating revenues (expenses)	268,359
Contributions from the University of Central Florida - Gender Equity Allocation	378,751
Transfers from the University of Central Florida	(1,231,017)
Contribution expense to other UCF Organizations	(1,229,207)
Transfers to the Golden Knights Corporation, net	32,030
Interest income	(444,548)
Interest expense	<u>(2,225,632)</u>
Total nonoperating revenues (expenses)	
	<u>(218,253)</u>
Decrease in net assets	(663,073)
Net assets, beginning of year	
	<u>\$ (881,326)</u>
Net assets, end of year	

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

Attachment I
UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2012

ASSETS

Current assets	\$ 1,870,390
Cash and cash equivalents	3,534,996
Accounts receivable, net	372,948
Due from the University of Central Florida Foundation, Inc.	204,000
Due from the Golden Knights Corporation	288,185
Prepaid expenses and other current assets	<u>6,270,519</u>
Total current assets	
 Noncurrent assets	 16,092,800
Capital assets, net of accumulated depreciation	744,007
Capital assets not being depreciated	<u>16,836,807</u>
Total noncurrent assets	
 Total assets	 <u><u>\$ 23,107,326</u></u>

LIABILITIES

Current liabilities	\$ 1,088,863
Accounts payable and accrued expenses	2,018
Due to the University of Central Florida Foundation, Inc.	204,000
Due to the Golden Knights Corporation	1,810,022
Due to the University of Central Florida	45,083
Due to the UCF Convocation Corporation	2,254,419
Deferred ticket revenue	7,445,113
Line of credit	121,131
Current portion of compensated absences	29,234
Current portion of long term debt	<u>12,999,883</u>
Total current liabilities	
 Noncurrent liabilities	 10,533,049
Notes payable to the University of Central Florida	170,066
Long term debt, less current portion	273,568
Compensated absences, less current portion	<u>10,976,683</u>
Total noncurrent liabilities	
 Total liabilities	 <u><u>\$ 23,976,566</u></u>

NET ASSETS

Net assets	\$ 9,192,394
Invested in capital assets, net of related debt	(10,061,634)
Unrestricted	<u>\$ (869,240)</u>
Total net assets	

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

Attachment I

**UCF ATHLETICS ASSOCIATION, INC.
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

Operating revenues	\$ 19,638,714
Student athletic fees	4,493,811
Game tickets	2,902,090
Conference and NCAA distributions	1,979,618
Out-of-state fee waivers	2,659,056
Sponsorships	2,650,731
Contributions	1,331,582
Other	1,185,164
Game guarantees	36,840,766
Total operating revenues	<u>36,840,766</u>
Operating expenses	12,539,372
Salaries and benefits	4,705,651
Scholarships	3,496,783
Travel	3,935,582
Independent contractors	2,034,298
Athletic supplies and subsistence	1,979,618
Out-of-state fee waivers	680,905
Other general and administrative expenses	839,179
Depreciation and amortization	863,108
Rents and leases	521,145
Office expenses	456,337
Utilities	637,733
Insurance	212,673
Repairs and maintenance	117,148
Printing	959,784
Game guarantees	277,729
Telephone	67,434
Other sports team expenses	100,000
University overhead	34,424,479
Total operating expenses	<u>2,416,287</u>
Operating income	<u>2,416,287</u>
Nonoperating revenues (expenses)	268,359
Contributions from the University of Central Florida - Gender Equity Allocation	(55,000)
Contribution expense to other UCF Organizations	(2,325,486)
Transfers to the Golden Knights Corporation, net	34,901
Interest income	(326,975)
Interest expense	(2,404,201)
Total nonoperating revenues (expenses)	<u>12,086</u>
Increase in net assets	(881,326)
Net assets, beginning of year	<u>\$ (869,240)</u>
Net assets, end of year	<u><u>\$ (869,240)</u></u>

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

Board of Governors – Debt Management Guidelines

UCF Athletic Association

10) A five-year history, if available, and five-year projection of the revenues securing payment and debt service coverage, and:

- i) to the extent applicable, the projections must be shown on the individual project as well as the entire system;
- ii) all revenue items securing repayment must be shown as separate line items;
- iii) an explanation should be provided with regard to growth assumptions, and to the amount and status of approval of any rate increases;
- iv) the effect of the rate increases on the projections and expected revenues and expenses for the new facility should be shown as a separate line item;
- v) if rate increases are necessary, a commitment must be made to increase rates to the needed levels; and
- vi) major categories of any operating expenses should be shown as separate line items with an explanation of assumptions regarding increases or decreases.

Ten Year Financial Analysis – Revenue Securing Debt

Attached are two versions of the financial analysis showing a five-year history, and a five-year projection of the revenues that will be used to secure the debt. Version A uses the enrollment projections prepared by UCF's Office of University Analysis and Planning Support to determine the student fee revenue projections. Version B uses the enrollment for the 2012-13 year throughout the next five years to determine the student fee revenue projections.

Both versions project baseball premium seat sales at 50 percent (150 of 300 seats) of capacity in the premium seat area and a \$500,000 annual distribution from the University from its Pouring Rights Agreement.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

UCF Athletics Association, Inc.
History and Projection of Revenues Securing Payment
Version A - Based on current enrollment projections

	Actual					Projection						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
Total student fee revenue for UCFAA	\$14,608,022	\$15,614,184	\$17,466,918	\$18,818,806	\$19,638,714	\$20,661,816	\$21,325,423	\$22,236,661	\$23,727,346	\$24,456,345	\$24,211,781	
5% of fees allowed for security	\$ 730,401	\$ 780,709	\$ 873,346	\$ 940,940	\$ 981,936	\$ 1,033,091	\$ 1,066,271	\$ 1,111,833	\$ 1,186,367	\$ 1,222,817	\$ 1,210,589	
Baseball premium seats						-	75,000	75,000	75,000	75,000	75,000	
Beverage agreement distribution	230,000	230,000	280,000	280,000	280,000	500,000	500,000	500,000	500,000	500,000	500,000	
Total	\$ 960,401	\$ 1,010,709	\$ 1,153,346	\$ 1,220,940	\$ 1,261,936	\$ 1,533,091	\$ 1,641,271	\$ 1,686,833	\$ 1,761,367	\$ 1,797,817	\$ 1,785,589	

Estimated debt service
Debt coverage ratio

413,597	1,040,894	1,044,588	1,043,000	1,041,188
3.97	1.62	1.69	1.72	1.71

NOTES:

- 1) Projected student fee revenues through 2016-17 are based on 99% of the current SCH projections by the Office of University Analysis and Planning Support at The University of Central Florida, at the current \$13.44 per SCH rate. For 2017-18, a 1% reduction in SCH was used for the purposes of projecting student fee revenue. The initial term in the current contract between Coca-Cola and the University is scheduled to expire on June 30, 2017. Per the contract, there is the option for both parties to automatically extend for two additional five-year terms.
- 2) Baseball premium seats estimated at 50% of capacity sold.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

UCF Athletics Association, Inc.
History and Projection of Revenues Securing Payment
Version B - No enrollment growth

	Actual					Projection						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	
Total student fee revenue for UCFAA	\$14,608,022	\$15,514,184	\$17,466,918	\$18,818,806	\$19,638,714	\$20,661,816	\$20,661,816	\$20,661,816	\$20,661,816	\$20,661,816	\$20,661,816	
5% of fees allowed for security	\$ 730,401	\$ 780,709	\$ 873,346	\$ 940,940	\$ 981,936	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	\$ 1,033,091	
Baseball premium seats	230,000	230,000	280,000	280,000	280,000	500,000	500,000	75,000	75,000	75,000	75,000	
Beverage agreement distribution	230,000	230,000	280,000	280,000	280,000	500,000	500,000	500,000	500,000	500,000	500,000	
Total	\$ 960,401	\$ 1,010,709	\$ 1,153,346	\$ 1,220,940	\$ 1,261,936	\$ 1,533,091	\$ 1,608,091	\$ 1,608,091	\$ 1,608,091	\$ 1,608,091	\$ 1,608,091	

Estimated debt service
Debt coverage ratio

413,597 1,040,894 1,044,588 1,043,000 1,041,188
3.89 1.54 1.54 1.54 1.54

NOTES:

- 1) Projected student fee revenues through 2016-17 are based on 99% of the 2012-13 SCH projections by the Office of University Analysis and Planning Support at The University of Central Florida, at the current \$13.44 per SCH rate. The initial term in the current contract between Coca-Cola and the University is scheduled to expire on June 30, 2017. Per the contract, there is the option for both parties to automatically extend for two additional five-year terms.
- 2) Baseball premium seats estimated at 50% of capacity sold

Board of Governors – Debt Management Guidelines

UCF Athletic Association

11) Evidence that the project is consistent with the university's master plan, or a statement that the project is not required to be in the master plan.

The Wayne Densch Center for Student-Athlete Leadership is project number 106 on the University's Master Plan.

The baseball stadium expansion project is project number 113 on the University's Master Plan.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

For variable rate debt proposals:

- i) the expected reduction in total borrowing costs based on comparison of fixed versus variable interest rates;
- ii) a variable rate debt management plan that addresses liquidity and interest rate risks and provides, at a minimum: a description of budgetary controls, a description of liquidity arrangements, a discussion of why the amount of variable rate debt being proposed is appropriate, and a plan for hedging interest rate exposure. *If interest rate risks are to be mitigated by the use of derivatives, then evidence that the counterparty is rated at a minimum of an A/A1 and a swap management plan as set forth in the Board's Debt Management Guidelines must be submitted;*
- iii) a pro forma showing the fiscal feasibility of the project using current market interest rates plus 200 basis point;
- iv) the total amount of variable rate debt including the proposed debt as a percentage of the total amount of university and DSO debt outstanding; and
- v) the individual or position that will be responsible for the reporting requirements for variable rate debt as set forth in these guidelines.

The financing will be a fixed rate bond issue for the life of the financing.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

13) If the financing is contemplated to be done on a taxable basis, submit evidence demonstrating that the issuance of taxable debt is in the best interest of the university.

All of the components of the Project qualify for tax-exempt financing. It is the goal of UCFAA to finance this project completely on a tax-exempt basis.

DRAFT

Board of Governors – Debt Management Guidelines

UCF Athletic Association

14) A statement explaining whether legislative approval is required, and if required, an explanation as to when legislative approval will be sought or evidence that legislative approval has already been obtained

Both projects were approved and included in the 2011 appropriations bill.

Ch. 2011-69

LAWS OF FLORIDA

Ch. 2011-69

SECTION 10. Pursuant to section 1010.62, Florida Statutes, and section 11(d) and (f), Art. VII of the State Constitution, the following fixed capital outlay projects may be constructed, acquired, and financed by a university or university direct support organization. Financing mechanisms include any form of approved debt or bonds authorized by the Board of Governors.

UF University Athletic Association
(UAA) projects FSU Research and
Development Facility - Number Four FSU
Italian Study Center
FSU Free Electron Laser Laboratory
USF Tennis Complex
UCF Strategic Land and Property Purchase
UCF Brighthouse Networks Tower Expansion
UCF Academic Center
UCF Athletics Facilities Expansion
FIU Department of Health/FIU Public Health Building

Board of Governors – Debt Management Guidelines

UCF Athletic Association

15) A statement that the debt issuance is in accordance with the university's debt management policy or, if not, an explanation of the specific variances as well as the reasons supporting the variances

The debt issuance is in compliance with the University's Debt Management Policy.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

16) If a request is made to employ a negotiated method of sale, an analysis must be provided supporting the selection of this method that includes a discussion of the factors set forth in section IV of the BOC Debt Management Guidelines.

The Series 2013 Bonds are anticipated to be sold through a negotiated sale. A negotiated sale is necessary due to the relatively new pledge of annual Student Athletic Fees collections and the amounts to be received and the structure of the University's Pouring Rights Agreement. These revenue sources will require additional premarketing by the underwriter to insure a low interest rate. An analysis showing that a negotiated sale is desirable for the Series 2013 Bonds is attached below. While UCFAA expects to issue the Series 2013 Bonds on a negotiated basis, if UCFAA is able to secure a bond rating in the A+ or better category a competitive sale will be re-evaluated.

The selection of the underwriters for Series 2013 Bonds will be done through an RFP process.

The following are the reasons that favor a negotiated sale over a competitive Sale. Pursuant to the Board of Governors' analysis of:

Board of Governors – Debt Management Guidelines

UCF Athletic Association

Debt Structure	Conditions Promoted by Conventional Structure	Conditions Promoted by Non-Conventional Structure	Notes	Explanation
Pledged Revenues	General obligations or strong revenue stream	Non-tax based on project supported revenues	N	The security source for the debt will be (1) a pledge of the 5 % of the Student Athletic Fee received by the University charged to students on a per credit hour basis (2) Premium Seating Revenues and (3) up to \$500,000 of the annual revenues received from the Pouring Rights Agreement including any renewals, extensions or replacement contract. The UCFAA anticipates using charitable contributions received under pledge agreements to prepay a portion the Series 2013 Bond under a special redemption provision. The rating agencies and bond investors are not as familiar with these revenue sources and thus may require additional education compared to more traditional revenue pledges such as parking and student housing revenues. Credit concerns are (1) a potential drop in student enrollment or number of credit hours will have a negative impact on Student Athletic Fees (2) restrictions on the ability to increase student fees and (3) the current beverage contract is only for 5 years with 2 five year extensions.
Security Structure	Conventional resolution and cash flow; rate covenant and coverage	Unusual or weak covenants	N	While the University can increase the Student Athletic Fee it is limited to the amount of potential increase under Florida Statutes 1009.24. Under the Statute the combined sum of the activity and

Board of Governors – Debt Management Guidelines

UCF Athletic Association

					service, health, and athletic fee shall not exceed 40% of the annual tuition. Within this 40% cap the University may not increase the aggregate sum of activity and service, health, and athletic fees more than 5% per year or the same percentage increase in tuition. This type of limited rate covenant favors a negotiated sale.
Debt Instrument	Traditional serial and term bonds, semi-annual interest and annual maturities	Use of innovative structuring, structure to attract particular investors	C/N		The Series 2013 Bond structure assumes a level principal and interest debt structure with standard 10 year call protection. The Series 2013 Bonds will also have either a cash funded debt service reserve ("DSR") or a DSR surety policy. This type of structure is standard in the bond market and should not be a major factor on whether the bonds are competitively or negotiated bid. Due to the desire to have the ability to prepay a portion of the bond at any time due to receipt of restricted donations the bonds will included a special mandatory redemption provision that will allow a portion of the bonds to be called at any time without penalty.
Size	A transaction the size of which the market is used to and can comfortably manage	A large size which the market cannot readily handle without the need to consolidate syndicates resulting in few bids	C/N		The size of the transaction should not be a major factor on whether the bonds are competitively or negotiated bid.

Board of Governors – Debt Management Guidelines

UCF Athletic Association

17) A description of the process used to select each professional engaged in the transaction, showing compliance with the competitive selection process required by these Guidelines. Specific contact information for each selected professional must be included, and at a minimum, should disclose the professional's name, firm name, address, email address, phone number, and facsimile number.

The following professionals have been retained to assist the UCF Athletic Association with structuring the Debt. The University of Central Florida currently has an agreement with First Southwest to provide financial advisory services. Any fees relating to the issuance of the debt will be paid for by the Association. The Association will go out for an RFP for Underwriters and Disclosure Counsel and other professions as required by the University Debt Management Policy.

Ken Artin
Bryant Miller Olive
135 West Central Blvd
Suite 720
Orlando, FL 32801
407 426-7001
407 426-7262 fax
kartin@bmolaw.com

Financial Advisor
Mark Galvin
First Southwest
450 S. Orange Ave
Suite 460
Orlando, FL 32801
407 426-9611
407 426-7835 fax
Mark.galvin@firstsw.com

ITEM: FFC-2

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

SUBJECT: Resolution for UCF Lockwood Communities to Issue Debt

DATE: March 21, 2013

INFORMATION:

To follow under separate cover.

Supporting documentation:

Prepared by: W. Scott Cole, Vice President and General Counsel

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

ITEM: INFO-2

University of Central Florida
Board of Trustee
Finance and Facilities Committee

SUBJECT: 2011-12 Audited Financial Statements

DATE: March 21, 2013

For information only.

UNIVERSITY OF CENTRAL FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

Michael J. Grindstaff, Chair from 7-21-11 (1)
Olga M. Calvet, Vice Chair from 7-21-11 (1)
James Atchison
Dr. Ida J. Cook (2)
Meg G. Crofton
Richard T. Crotty
Alan S. Florez
Robert A. Garvy
Ray Gilley
Marcos R. Marchena
Matthew McCann to 5-09-12 (3)
Harris Rosen
John R. Sprouls
Cortez Whatley from 5-10-12 (3)

Dr. John C. Hitt, President

Notes: (1) There was no chair or vice chair from
July 1, 2011, through July 20, 2011.
(2) Faculty Senate Chair.
(3) Student body president.

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

The audit team leader was Jeffrey L. Cardinali, CPA, and the audit was supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

UNIVERSITY OF CENTRAL FLORIDA
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2013-051.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units, as described in note 1 to the financial statements. The financial statements for the blended component units represent 5.4 percent of the total assets, and 21.1 percent of the total liabilities, reported for the University of Central Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and aggregate discretely presented component units, is based on the reports of the other auditors.

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

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

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

A handwritten signature in blue ink, reading "David W. Martin".

David W. Martin, CPA
January 31, 2013

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

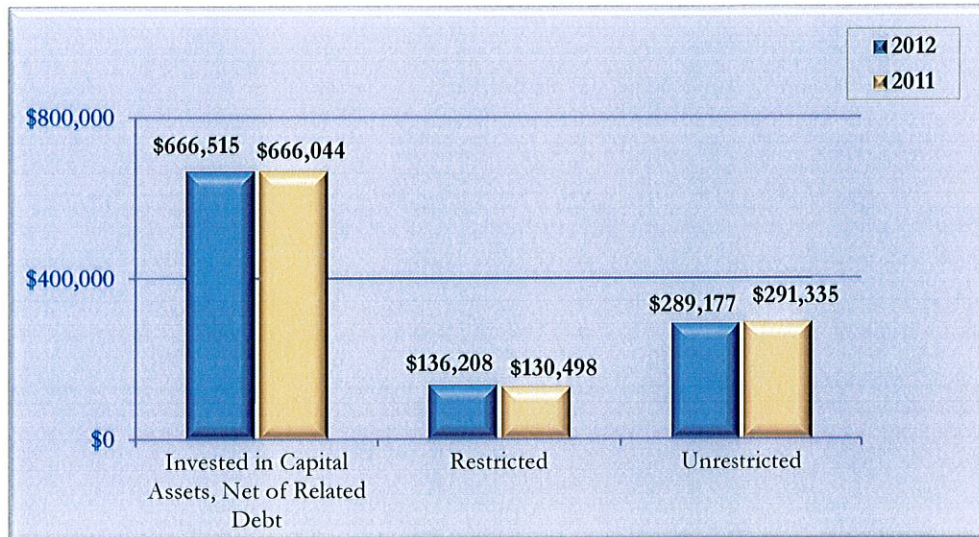
The University's assets totaled \$1.5 billion at June 30, 2012. This balance reflects a \$56.8 million, or 4.1 percent, increase as compared to June 30, 2011, primarily due to an increase in cash and cash equivalents and investments from the investment of proceeds from debt issued during fiscal year 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 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 net student tuition and fees. 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 primarily to a decrease in the following: State noncapital appropriations, Federal and State student financial aid, American Recovery and Reinvestment Act funds (ARRA), and investment income.

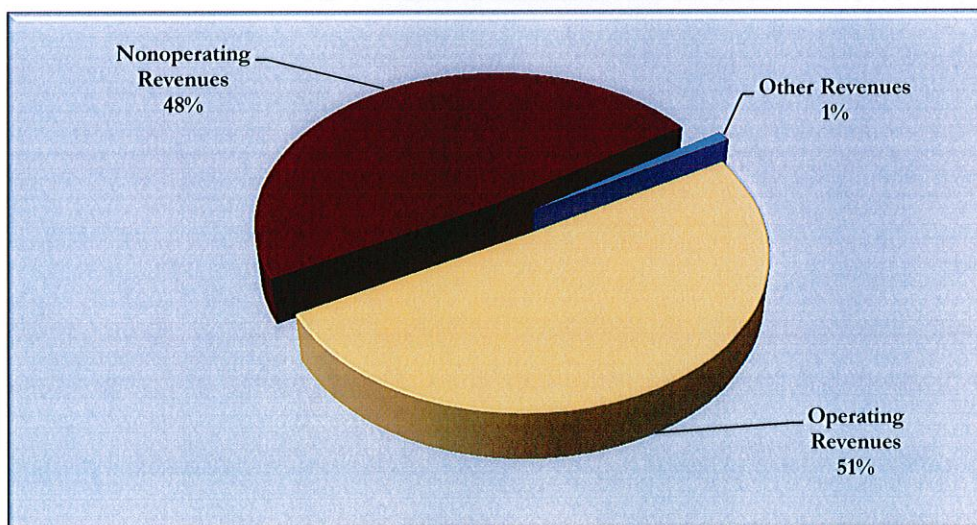
Net assets represent the residual interest in the University's assets after deducting liabilities. The University's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

**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	<u>1,450,419</u>	<u>1,393,573</u>
Liabilities		
Current Liabilities	66,028	67,233
Noncurrent Liabilities	292,491	238,463
Total Liabilities	<u>358,519</u>	<u>305,696</u>
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	<u>\$ 1,091,900</u>	<u>\$ 1,087,877</u>

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 million, primarily due to \$33.4 million in long-term debt, \$9.8 million for other postemployment benefit obligations, and \$8.6 million for an interest rate swap liability.

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
For the Fiscal Years
(In Thousands)**

	2011-12	2010-11
Operating Revenues	\$ 417,401	\$ 368,802
Less, 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	<u>\$ 1,091,900</u>	<u>\$ 1,087,877</u>

Operating Revenues

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

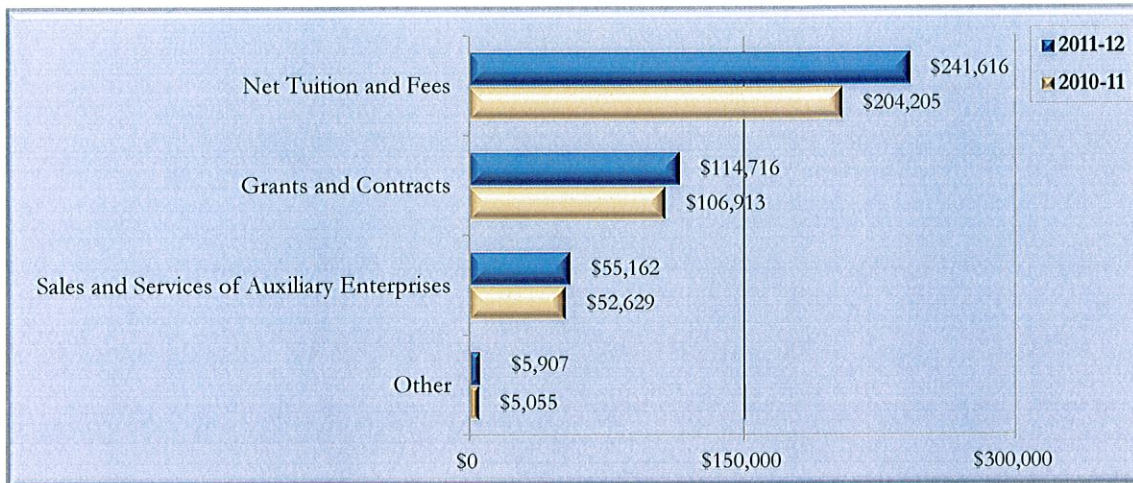
The following summarizes the operating revenues by source that were used to fund operating activities for the 2011-12 and 2010-11 fiscal years:

**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	<u>\$ 417,401</u>	<u>\$ 368,802</u>

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 tuition and fees increased \$37.4 million, or 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.

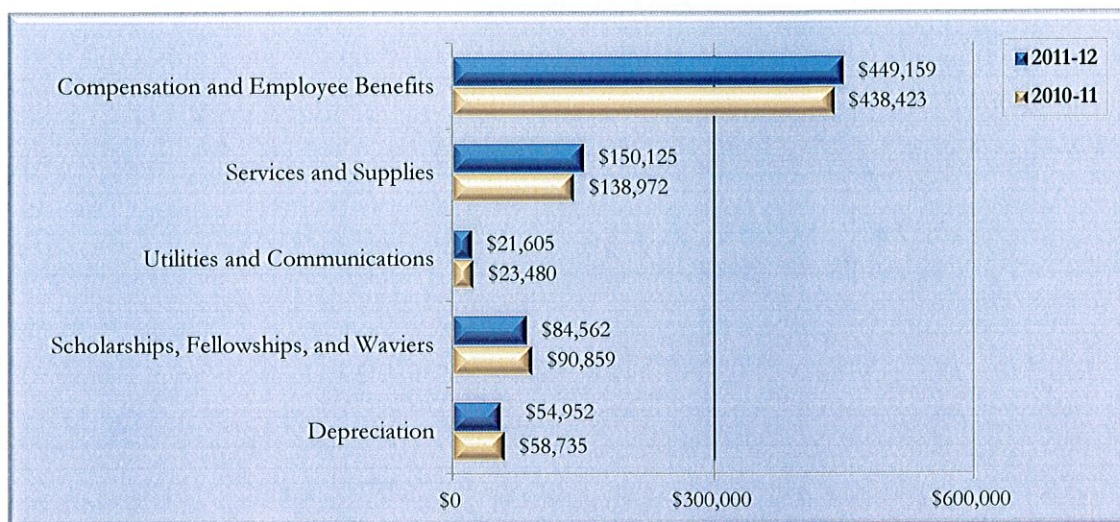
The following summarizes the operating expenses by natural classifications for the 2011-12 and 2010-11 fiscal years:

**Operating Expenses
For the Fiscal Years
(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 compensation and employee benefits of \$10.7 million, or 2.4 percent, was primarily due to increases in salaries of \$11.9 million and health care contributions of \$3.6, and other post-employment benefits of \$4.7 million, which were offset by a decrease in retirement contributions of \$10.1 million. 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 noncapital appropriations (\$16 million), a decrease in Federal and State student financial aid due to a decrease in State funded Bright Futures awards and other Federal financial aid (\$10.3 million), the elimination of ARRA funds (\$18.2 million), a decrease in investment income due to a decrease in unrealized gains on investments (\$12.3 million), and an increase in other nonoperating expenses related to the increase in the capitalization thresholds during the 2011-12 fiscal year resulting in the write-off of previously capitalized fixed assets (\$18.7 million).

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. 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, Donations, and Fees	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 compared to 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)

	<u>2011-12</u>	<u>2010-11</u>
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	<u>(32,974)</u>	<u>(7,808)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,372	(5,648)
Cash and Cash Equivalents, Beginning of Year	<u>96,684</u>	<u>102,332</u>
Cash and Cash Equivalents, End of Year	<u>\$ 108,056</u>	<u>\$ 96,684</u>

Cash and cash equivalents increased \$11.4 million. Cash outflows from operating activities decreased by \$43.5 million compared to fiscal year 2010-11, due to an increase in tuition and fees, a decrease in cash payments to employees for compensation, 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 (\$238.8 million), Federal Direct Student Loans (\$238 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 million), payments to suppliers for goods and services (\$172.9 million), payments to students for scholarships and fellowships (\$84.6 million), and purchase or construction of capital assets (\$68 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 million, for net capital assets of \$829.4 million. Depreciation charges for the current fiscal year totaled \$55 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	<u>(8,243)</u>
Balance Committed	<u>\$ 7,942</u>

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 Payable	\$ 157,577	\$ 119,564
Bonds Payable	57,795	58,925
Loans and Notes Payable		3,316
Installment Purchases Payable		491
Total	<u>\$ 215,372</u>	<u>\$ 182,296</u>

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 primary economic factors impacting the University's ability to meet its core mission, support ongoing operations, and undertake new initiatives include the level of 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 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 nonrecurring \$300 million reduction in State noncapital appropriations to Florida's State University System (SUS). This decrease will be partially offset by a 15 percent increase in undergraduate tuition, expected to generate approximately \$20 million during the 2012-13 fiscal year. Nonrecurring 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 decreased funding 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 Fall 2012 semester enrollment was 59,767, an increase of 1.8 percent over the Fall 2011 enrollment. 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.

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.

BASIC FINANCIAL STATEMENTS

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	<u>292,491,074</u>	<u>320,822,683</u>
TOTAL LIABILITIES	<u>358,519,353</u>	<u>359,064,184</u>
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	<u>1,091,899,627</u>	<u>214,499,796</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,450,418,980</u>	<u>\$ 573,563,980</u>

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
Other Nonoperating Revenues	8,020,570	18,577,585
Loss on Disposal of Capital Assets	(121,374)	
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, Donations, and Fees	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

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

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

	<u>University</u>
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 Repayment on Loans to Students	568,265
Other Operating Receipts	<u>5,726,899</u>
Net Cash Used by Operating Activities	<u>(283,170,884)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	245,358,947
Federal and State Student Financial Aid	136,508,529
Federal Direct Loan Program Receipts	237,958,601
Federal Direct Loan Program Disbursements	(237,958,601)
Net Change in Funds Held for Others	(4,595,685)
Other Nonoperating Disbursements	<u>(17,582,683)</u>
Net Cash Provided by Noncapital Financing Activities	<u>359,689,108</u>
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	<u>(8,238,592)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(32,172,334)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	781,423,181
Purchase of Investments	(824,740,028)
Investment Income	<u>10,342,934</u>
Net Cash Used by Investing Activities	<u>(32,973,913)</u>
Net Increase in Cash and Cash Equivalents	11,371,977
Cash and Cash Equivalents, Beginning of Year	<u>96,683,718</u>
Cash and Cash Equivalents, End of Year	<u>\$ 108,055,695</u>

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

	<u>University</u>
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
Compensated Absences Payable	2,728,534
Deferred Revenue	(839,935)
Other Liabilities	161,744
Other Postemployment Benefits Payable	9,840,000
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (283,170,884)</u>

**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 cash transactions for the statement of cash flows.	\$ (121,374)
Expenses related to the changes in capitalization thresholds were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (18,720,507)

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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

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

UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

- 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 reports are 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

UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

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

UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 also 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, a blended component unit, holds \$6,320,509 in money market funds. The money market funds are uninsured, but collateralized by securities held by the financial institution, not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

Cash and Cash Equivalents – Discretely Presented Component Units

Cash and cash equivalents for the University's discretely presented component units are reported as follows:

Component Unit	Cash in Bank	Money Market Funds	Short-Term Guaranteed Investment Contracts	Total
The University of Central Florida Foundation, Inc.	\$ 16,114,979	\$	\$	\$ 16,114,979
The University of Central Research Foundation, Inc.	5,321,782			5,321,782
The UCF Athletics Association, Inc.	1,870,390			1,870,390
The UCF Convocation Corporation		19,547,080	9,576,761	29,123,841
The Golden Knights Corporation		5,170,410	3,031,485	8,201,895
The Central Florida Clinical Practice Organization, Inc.	155,583			155,583
Total Component Units	\$ 23,462,734	\$ 24,717,490	\$ 12,608,246	\$ 60,788,470

UCF Convocation Corporation and Golden Knights Corporation. These component units follow the investment policy of the University for managing credit risks. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name. The money market funds invest in diversified portfolios of high-quality, dollar-denominated short-term debt securities. Short-term guaranteed investment contracts are investment vehicles that guarantee a return on principal invested in the account over the life of the investment. For the year ended June 30, 2012, the corporations had benefit-responsive investment contracts with an insurance company that maintains the funds in guaranteed interest accounts. The accounts are credited with earnings on the underlying investments and are subject to withdrawals. The contracts are included in the financial statements at fair value as reported to the Corporation by the insurance company. Fair value represents contributions made under the contract, plus earnings, less plan withdrawals. There are no reserves against fair values for credit risk of the contract issuer or otherwise. For 2012, the average yield and crediting interest rates were 5 percent for the Convocation Corporation and 4.72 percent for the Golden Knights Corporation, based on maturities through June 30, 2015 and June 30, 2012, respectively. These assets are

**UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

segregated and subject to withdrawal by the authorized trustee. The guaranteed investment contracts were purchased by the corporations to invest the unused proceeds received from the issuance of debt.

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 corporation's investments in securities must provide sufficient liquidity to pay obligations as they come due.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The investment policies provide information on asset classes, target allocations, and ranges of acceptable investment categories.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the corporations will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to manage the custodial credit risk, the University's investment policy specifies certain requirements to pre-qualify financial institutions and brokers/dealers and does an annual review of the institutions used. The corporations' investments are held by a third party custodian, not in the name of the corporations.

Other Component Units

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

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest-bearing demand deposits, money market, and cash deposits swept on an overnight basis from operating bank accounts into interest-bearing money market accounts, with maturity dates of less than 90 days. At June 30, 2012, approximately \$14,527,907 in cash deposits were not insured by Federal deposit insurance and were not collateralized.

- **University of Central Florida Research Foundation, Inc.** – At June 30, 2012, the Research Foundation had deposits in banking institutions and held by UCF in excess of the Federal insurance limit. The amount in excess of the FDIC limit is \$2,173,240 as of June 30, 2012.

The Research Foundation maintains a repurchase sweep account with a local bank. The target balance in the main operating accounting is "swept" overnight by the bank and is collateralized by mortgage-backed securities issued by the Federal National Mortgage Association and/or the Federal Home Loan Mortgage Corporation which have been temporarily sold to the Research Foundation under the terms of the repurchase agreement. The balance in the repurchase account as of June 30, 2012 was \$143,605. This amount is not included in the deposit amount uninsured by FDIC.

- **UCF Athletics Association, Inc.** – Custodial credit risk is the risk that in the event of a bank failure, the Association's deposit may not be returned to it. The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are federally insured up to FDIC limits. As of June 30, 2012, approximately \$1.6 million of the Association's bank balance of approximately \$1.9 million was exposed to custodial credit risk as uninsured and uncollateralized.

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

UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 Florida Board of Governor's approved a revision to Board of Governors Regulation 9.002, *Recording and Marking of Property*, effective July 1, 2011. The revision was intended to achieve administrative efficiencies and cost savings by increasing the capitalization threshold of tangible personal property from \$1,000 to \$5,000. Previously capitalized personal property costing less than \$5,000 and related accumulated depreciation were written off during the 2011-2012 fiscal year. The adjustment column in the capital assets note disclosure shows the change by category resulting from the increase in the threshold. The change in this threshold resulted in a \$18.7 million other nonoperating expense in the statement of revenues, expenses and changes in net assets. This is a nonrecurring, noncash item and has been reported in the supplemental disclosure of noncash capital and related financing and investing activities section of the statement of cash flows. The University also has a capitalization threshold of \$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

**UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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:

<u>Investment Type</u>	<u>Amount</u>
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	<u>\$ 379,580,255</u>

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

UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 OF CENTRAL FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

University Debt Investments Quality Ratings

Investment Type	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 on 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 grant and contract 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

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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:

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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) The adjustment to capital assets is the result of a change in the capitalization threshold for tangible personal property from \$1,000 to \$5,000, effective July 1, 2011. See Note No. 1 - Summary of Significant Accounting Policies.

6. DEFERRED REVENUE

Deferred revenue includes grant and contract prepayments, auxiliary prepayments, student tuition and fees, and a capital 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
Capital 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:

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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
Student Housing Debt:				
1992 - Housing	\$ 19,080,000	\$ 74,286	6.0	2013
2000 - Housing	31,695,000	825,000	5.25	2013
2002 - Housing	14,055,000	9,123,868	3.6 - 4.5	2021
2007A - Housing	38,780,000	34,375,350	4.0 - 5.5	2030
2012A - Housing	66,640,000	69,260,625	2.5 - 5.0	2042
Total Student Housing Debt	170,250,000	113,659,129		
Bookstore:				
1997	3,570,000	1,260,714	5.05 - 5.125	2017
Student Health Center:				
2004A	8,000,000	5,516,562	4.0 - 5.0	2024
Parking Garage Debt:				
2004A - Parking Garage V	18,455,000	11,264,244	3.5 - 4.2	2024
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
Total Parking Garage Debt	44,455,000	37,140,122		
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

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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 2014 through 2031, 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 was 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:

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<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>\$ 157,576,527</u>	<u>\$ 77,566,821</u>	<u>\$ 235,143,348</u>

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:

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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 interest rate swap agreement, the Corporation pays the counterparty a fixed payment of 4.38 percent and receives a variable payment based on the Securities Industry and Financial Market Association swap index (0.15 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 interest rate 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 settlement amount the Corporation would have to pay on June 30, 2012, to cancel the interest rate swap agreement. The liability is estimated based on valuation models. If interest rates change and the fair value of the interest rate swap agreement becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivative's fair value. In accordance with the Corporation's policy to mitigate the potential for credit risk, the Corporation requires that the fair value of the interest rate swap agreement be fully collateralized by a letter of credit if the counterparty's credit quality falls below AA/Aa. As of June 30, 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.

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.

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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:

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<u>Description</u>	<u>Amount</u>
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	<u>438,000</u>
Annual Required Contribution	11,383,000
Interest on Net OPEB Obligation	640,000
Adjustment to Annual Required Contribution	<u>(554,000)</u>
Annual OPEB Cost (Expense)	11,469,000
Contribution Toward the OPEB Cost	<u>(1,629,000)</u>
Increase in Net OPEB Obligation	9,840,000
Net OPEB Obligation, Beginning of Year	<u>15,988,000</u>
Net OPEB Obligation, End of Year	<u><u>\$ 25,828,000</u></u>

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:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
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.

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

The University's OPEB actuarial valuation as of July 1, 2011, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the University's 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. 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 6.5 percent in the fourth year grading identically to 5 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.

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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 PROGRAM

Florida Retirement System. Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system 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 DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee 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

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balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

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.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes, on behalf of the participant, 7.92 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. Required employer contributions made to the Program totaled \$12,629,731 and employee contributions totaled \$10,074,602.

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 Projects (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 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:

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JUNE 30, 2012

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

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 for all perils except named windstorm and flood 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 \$61 million for named windstorm and flood losses through February 14, 2012, and decreased to \$50 million starting February 15, 2012. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. 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 (Program) was established pursuant to Section 1004.24, Florida Statutes, on September 25, 2008. The Program's purpose is to provide

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

comprehensive general liability and professional liability (malpractice) coverage for the University of Central Florida Board of Trustees and students for claims and actions arising from the clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health and Public Affairs, and the Central Florida Clinical Practice Organization, Inc., faculty, staff, and resident physicians. The Program provides legislative claims bill protection.

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

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:

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

12. 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:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

<u>Functional Classification</u>	<u>Amount</u>
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	<u>\$ 760,402,680</u>

13. 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 Services facilities represents identifiable activities for which one or more bonds are outstanding:

	Bookstore Capital Improvement Debt	Housing Facility Capital Improvement Debt	Parking Facility Capital Improvement Debt	Health Service Facility Improvement Debt
Assets				
Current Assets	\$ 3,884,661	\$ 10,510,663	\$ 9,257,684	\$ 5,550,120
Capital Assets, Net	3,239,157	69,589,078	52,008,554	8,454,958
Other Noncurrent Assets	587,484	51,482,237	10,787,509	2,644,290
Total Assets	<u>7,711,302</u>	<u>131,581,978</u>	<u>72,053,747</u>	<u>16,649,368</u>
Liabilities				
Current Liabilities	249,145	7,144,709	3,072,202	800,810
Noncurrent Liabilities	1,030,714	110,945,626	34,395,879	5,640,084
Total Liabilities	<u>1,279,859</u>	<u>118,090,335</u>	<u>37,468,081</u>	<u>6,440,894</u>
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	<u>\$ 6,431,443</u>	<u>\$ 13,491,643</u>	<u>\$ 34,585,666</u>	<u>\$ 10,208,474</u>

UNIVERSITY OF CENTRAL FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

	Bookstore Capital Improvement Debt	Housing Capital Improvement Debt	Parking 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)	(9,974,064)	(13,332,474)
Operating Income	1,130,164	9,172,418	6,493,335	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	5,237,354	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	4,598,830	1,684,174
Net Assets, Beginning of Year	5,005,351	7,825,715	29,986,836	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

	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)	(780,453)
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	652,792
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	\$ 1,878,500

14. 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:

UNIVERSITY OF CENTRAL FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

	Direct-Support Organizations					Other Component Unit	Total
	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.
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
Capital Assets, Net	74,305,290	11,889,150	16,836,807	179,728,983	51,535,839	334,296,069	789,255
Other Noncurrent Assets	146,661,916	358,147		23,525,111	9,668,439	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
Liabilities:							
Current Liabilities	5,861,499	4,975,053	12,999,883	10,606,422	3,106,435	37,549,292	692,209
Noncurrent Liabilities	32,795,779		10,976,683	222,222,058	54,651,940	320,646,460	176,223
Total Liabilities	38,657,278	4,975,053	23,976,566	232,828,480	57,758,375	358,195,752	868,432
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
Restricted	147,765,409	581,402		26,039,230	7,531,372	181,917,413	
Unrestricted	13,996,952	2,831,400	(10,061,634)	1,412,356	404,983	8,584,057	(457,193)
Total Net Assets	\$ 206,045,106	\$ 15,301,952	\$ (869,240)	\$ (11,679,644)	\$ 5,369,560	\$ 214,167,734	\$ 332,062
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
Operating Expenses	(32,085,375)	(5,697,540)	(34,412,854)	(19,925,042)	(2,628,153)	(94,748,964)	(1,375,417)
Operating Income (Loss)	(8,411,283)	(38,240)	2,416,287	9,472,075	54,987	3,493,826	(801,471)
Net Nonoperating Revenues (Expenses)	6,947,410	(27,715)	(2,404,201)	(7,995,992)	789,437	(2,691,061)	1,133,533
Other Revenues, Expenses, Gains, and Losses	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
Net Assets, Beginning of Year	206,003,619	15,367,907	(881,326)	(13,155,727)	4,525,136	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

**UNIVERSITY OF CENTRAL FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

15. 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 cost actuarial method was used to calculate the actuarial accrued liability.

**UNIVERSITY OF CENTRAL FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of \$118,673,000 was significantly higher than the July 1, 2009, liability of \$83,256,000 as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, and the passage of the Patient Protection and Affordable Care Act.



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

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

We have audited the financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the blended and aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to University management in our operational audit report No. 2013-051.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
January 31, 2013

ITEM: INFO-3

University of Central Florida
Board of Trustee
Finance and Facilities Committee

SUBJECT: Consulting Request For Proposal

DATE: March 21, 2013

For information only.
No handouts.

ITEM: INFO-4

University of Central Florida
Board of Trustee
Finance and Facilities Committee

SUBJECT: University and DSO Debt Report

DATE: March 21, 2013

For information only.

University and DSO Debt

ITEM: **INFO-4**

By Entity

As of December 31, 2012

	Fixed	Debt Outstanding Variable	Total	Debt Service 2013	Sources of Payment
University					
Bookstore - revenue bonds	\$ 1,265,000	\$ -	\$ 1,265,000	\$ 294,536	Auxiliary interest, bookstore commissions
Health Center - revenue bonds	5,560,000	-	5,560,000	615,930	Health fees
Parking - revenue bonds	43,910,000	-	43,910,000	4,943,413	Transportation access fees, decals, fines
Housing - revenue bonds	108,685,000	-	108,685,000	8,242,222	Room rents
Total University	159,420,000	-	159,420,000	14,096,101	
UCF Hospitality School Student Housing Foundation					
Housing - revenue bonds	14,685,000	-	14,685,000	1,421,831 ¹	Total project revenues
UCF Convocation Center					
Housing and retail revenue COPs	120,570,000	-	120,570,000	8,998,140	Total project revenues
Arena and retail revenue COPs	97,015,000	-	97,015,000	7,204,155	Total project revenues
Total UCF Convocation Corporation	217,585,000	-	217,585,000	16,202,295	
UCF Golden Knights Corporation					
Stadium revenue COPs	42,755,000	12,240,000	54,995,000	3,426,662	Stadium revenues, university resources
UCF Finance Corporation					
Burnett Biomedical Research facility bonds	56,620,000	-	56,620,000	3,731,959 ²	Sponsored programs
UCF Athletics Association					
Due to university (principal only)		10,353,158	10,353,158	-	UCFAA and stadium restricted surplus funds
SunTrust	170,065	-	170,065	44,451	UCFAA revenues, pledge payments
Fifth Third lines of credit		7,350,065	7,350,065	1,060,000	UCFAA revenues and Title IX funds
Total UCF Athletics Association	170,065	17,703,223	17,873,289	1,104,451	
UCF Foundation					
SunTrust	-	1,895,000	1,895,000	1,895,000	Property rentals, pledge revenues
Benton and Cole Trusts	1,970,509	-	1,970,509	2,158	Property rentals, pledge revenues
Fairwinds	485,137	-	485,137	161,712	Property rentals, pledge revenues
BB&T	27,405,000	-	27,405,000	1,265,000	Property rentals, pledge revenues
Total Foundation	29,860,647	1,895,000	31,755,647	3,323,870	
Total University and DSO Debt	<u>\$ 521,095,712</u>	<u>\$ 31,838,223</u>	<u>\$ 552,933,935</u>	<u>\$ 43,307,168</u>	

¹ The university housing auxiliary is responsible for the Rosen Foundation debt service. The debt has a fixed-rate interest swap.

² These bonds have a synthetic fixed-rate interest swap.

Lines of Credit

	Maximum Amount	Outstanding	Available
UCF Athletics			
Fifth Third lines of credit	9,300,000	7,350,065	1,949,935

Variable Rate Debt

	Outstanding	Rate
UCF Golden Knights Corporation - COPs	\$ 12,240,000	1.19%
UCF Athletics Association		
Fifth Third lines of credit	7,350,065	2.18%-3.36%
University loan	10,353,158	2.40%
UCF Foundation		
SunTrust	1,895,000	3.34%
Total variable debt outstanding	<u>\$ 31,838,223</u>	