



UNIVERSITY OF CENTRAL FLORIDA

**Board of Trustees  
Finance and Facilities Committee Meeting  
April 19, 2017  
8:30 a.m.  
President's Boardroom, Millican Hall, 3<sup>rd</sup> floor  
Conference call in phone number 800-442-5794, passcode 463796**

**REVISED AGENDA**

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|--|---|
| <b>I. CALL TO ORDER</b>  | Alex Martins<br><i>Chair, Finance and Facilities Committee</i>  |
| <b>II. ROLL CALL</b>   | Tracy D. Slavik<br><i>Coordinator for Administrative Services<br/>for Administration and Finance Division</i>   |
| <b>III. MEETING MINUTES</b>  |   |
| <ul style="list-style-type: none"><li>• <a href="#">Approval</a> of the February 22, 2017, and March 16, 2017, Finance and Facilities Committee meetings minutes</li></ul>   | Chair Martins   |
| <b>IV. NEW BUSINESS</b>  | Chair Martins   |
| <ul style="list-style-type: none"><li>• Revision to University Regulation UCF-6.007 Traffic/Parking Regulation and Enforcement, and University Regulation UCF-6.008 Vehicle Registration Fees; Parking Violation Fines (<a href="#">FFC-1</a>)</li><li>• Minor Amendment to the University of Central Florida 2015-25 Campus Master Plan (<a href="#">FFC-2</a>)</li></ul> | <div>William F. Merck II<br/><i>Vice President for Administration and Finance and Chief Financial Officer</i></div> <div>W. Scott Cole<br/><i>Vice President and General Counsel</i></div> <div>Youndy C. Cook<br/><i>Deputy General Counsel</i></div><br><div>William F. Merck II<br/>David Hansen<br/><i>Executive Associate Athletics Director and Chief Operating Officer</i></div> |

- FFC Charter Review ([FFC-3](#))  
Chair Martins  
William F. Merck II
- Direct Support Organizations' 2016-17  
Second-Quarter Financial Reports ([INFO-1](#))  
– UCF Athletic Association and  
UCF Stadium Corporation  
– UCF Convocation Corporation  
– UCF Finance Corporation  
– UCF Foundation  
– UCF Research Foundation  
William F. Merck II  
John C. Pittman  
*Associate Vice President for Administration  
and Finance, Debt Management*
- University and DSO Debt Report ([INFO-2](#))  
William F. Merck II  
John C. Pittman
- University Final Audited Financial  
Report 2015-16 ([INFO-3](#))  
William F. Merck II  
Tracy Clark  
*Associate Provost for Budget,  
Planning, and Administration and  
Associate Vice President for Finance*
- UCF Facilities Planning and Construction  
Departmental Assessment ([INFO-4](#))  
William F. Merck II  
Rhonda L. Bishop  
*Chief Compliance and Ethics Officer*  
Peter J. Wallace  
*Senior Vice President, Hill International*
- Downtown Parking Garage Update Discussion William F. Merck II

**V. OTHER BUSINESS**

Chair Martins

**VI. CLOSING COMMENTS**

Chair Martins



Board of Trustees  
Finance and Facilities Committee Meeting  
President's Boardroom, Millican Hall, 3<sup>rd</sup> floor  
February 22, 2017

## MINUTES

### CALL TO ORDER

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 8:30 a.m. Committee members Christopher Clemente, David Walsh, and Bill Yeargin were present. Committee member Robert Garvy attended by teleconference. Chairman Marcos Marchena was present.

### MINUTES APPROVAL

The minutes of the December 7, 2016, Finance and Facilities Committee meeting were approved as submitted.

### NEW BUSINESS

#### Revision to University Regulation UCF-7.130 Administration and Finance; Purchasing (FFC-1)

Youndy Cook, Deputy General Counsel, presented for approval a revision to existing university regulation UCF-7.130 Administration and Finance; Purchasing. The amendment changes the term "purchasing" to "procurement" throughout the regulation to conform the university's procurement guidelines with the recent updates to the Florida Board of Governors' Regulation 18.001. Additionally, the amendment updates the duties of the Procurement Services department and revises language concerning contract extensions and contract renewals. The committee unanimously approved the amendment.

#### UCF Convocation Corporation Transfer of Funds (FFC-2)

William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer, and John C. Pittman, Associate Vice President for Administration and Finance, Debt Management, requested approval to transfer up to \$650,000 in unrestricted funds to the university or to a direct support organization. The UCF Convocation Corporation will have approximately \$650,000 in unrestricted surplus revenue available in 2016-17 after completing payments for the Knights Plaza enhancements and transferring funds to the university in support of the video scoreboard enhancements. The use of funds will be approved by the university president in consultation with the chair of the Finance and Facilities Committee. Chairman Marchena requested a stipulation be added that when the funds are used the committee be notified at its next meeting. The committee unanimously approved the request with Chairman Marchena's stipulation.

UCF Foundation Refunding of Debt and Line of Credit (FFC-3)

Merck and Pittman requested approval to refinance \$21,635,000 of outstanding loans with BB&T Bank and create a Line of Credit with BB&T Bank in an amount not to exceed \$19,000,000 for the construction of the downtown campus. In 2008 and 2009, the UCF Foundation refunded variable-rate debt and converted it into fixed-rate-taxable and tax-exempt debt. By refunding these loans, the UCF Foundation will save an average of \$370,000 annually.

The UCF Foundation has raised funds in excess of \$20,000,000, the minimum required to gain approval for UCF to build a campus in downtown Orlando. The pledges extend over a five-year period. However, UCF must have access to the cash to construct the first academic facility, estimated to begin in early 2018. A Line of Credit will be opened using the pledged funds as security against the line. The actual amount of the Line of Credit will be based on the amount of pledges outstanding at the time the Line of Credit is opened. It is anticipated that approximately \$2 million in pledges will have been paid by such time. The committee unanimously approved refunding the loans and creating the Line of Credit with BB&T Bank.

Agreement Between UCF and ICAMR (FFC-4)

Merck and Sandra Sovinski, Associate General Counsel, requested approval of an agreement between UCF and International Consortium for Advanced Manufacturing Research (ICAMR). The 2016-17 state appropriations signed by the governor on March 17, 2016, included a recurring appropriation of \$5,000,000 to UCF in support of ICAMR. The agreement sets forth terms and conditions for ICAMR's expenditure of the appropriated funds, reflecting the intent in the legislative budget request, recognizing a defined procurement protocol, and requiring reporting by ICAMR to facilitate UCF's return on investment reporting to the governor.

The committee unanimously approved the agreement with the provision that an amendment be added giving UCF the right to audit ICAMR's use of the state appropriation funds.

UCF Downtown Purchase and Sale Agreement (FFC-5)

Merck and Jennifer Cerasa, Associate General Counsel, requested approval of the Purchase and Sale Agreement for the acquisition of property located at 500 West Livingston Street in downtown Orlando for the development of the UCF Downtown campus. The property has been defined as three sites. The Purchase and Sale Agreement outlines the specific terms of the transfer of two of the three sites (Site 1 and Site 2). The transfer of Site 3 will occur at a future date. UCF has conducted due diligence in anticipation of the acquisition of Site 1 and has determined that the site is suitable for commercial development. UCF will continue to have a due diligence period after the Purchase and Sale Agreement is executed related to the acquisition of both Site 1 and Site 2. Closing for Site 1 is anticipated to occur on or around April 30, 2017, and on or around July 31, 2017, for Site 2. The committee unanimously approved the Purchase and Sale Agreement as presented.

UCF Finance Corporation Renewal of Letter of Credit (FFC-6)

Merck and Pittman requested approval to renew a three-year Letter of Credit with Fifth Third Bank backing \$51,315,000 of outstanding bonds for the Burnett School of Biomedical Sciences research facility located on the Health Sciences Campus at Lake Nona. In 2007, the UCF Finance Corporation issued \$60,000,000 in variable-rate demand bonds secured by a 10-year Letter of Credit with Fifth Third Bank. The Corporation entered a 30-year swap agreement to synthetically fix the interest rate at 4.376 percent. The Letter of Credit expires in June 2017, and the financing



team recommended its renewal. The committee unanimously approved the request.

Technology Fee Report (INFO-1)

Dale Whittaker, Provost and Executive Vice President, and Joel Hartman, Vice President for Information Technologies and Resources and Chief Information Officer, presented a summary of the technology fees.

UCF Investments Quarterly Report Ended December 31, 2016 (INFO-2)

Tracy Clark, Associate Provost for Budget, Planning, and Administration and Associate Vice President for Finance, presented the UCF Investments Quarterly Report for the quarter that ended December 31, 2016.

University Operating Budget Report Ended December 31, 2016 (INFO-3)

Clark presented the University Operating Budget Report for the quarter that ended December 31, 2016.

Direct Support Organizations' 2016-17 First-Quarter Financial Reports (INFO-5)

Merck and Pittman reported that the 2016-17 first-quarter financial report ended September 30, 2016, for the UCF Foundation was provided as an information item.

**OTHER BUSINESS**

Request for agenda item at April 19 FFC meeting

Chairman Marchena requested that the completed report from the consulting firm Hill International evaluating Facilities & Safety be presented to the committee at its next meeting on April 19, 2017.

Chair Martins adjourned the Finance and Facilities Committee meeting at 9:59 a.m.

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

4-4-17  
Date



Board of Trustees  
Finance and Facilities Committee Meeting  
*FAIRWINDS* Alumni Center  
March 16, 2017

**MINUTES**

**CALL TO ORDER**

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 9:30 a.m. Committee members Robert Garvy, Keith Koons, David Walsh, and Bill Yeargin were present. Committee member John Sprouls attended by teleconference. Chairman Marcos Marchena was present.

**NEW BUSINESS**

UCF Foundation Refunding of Debt (FFC-1)

William F. Merck II, Vice President for Administration and Finance and Chief Financial Officer, and John C. Pittman, Associate Vice President for Administration and Finance, Debt Management, requested approval for the UCF Foundation to refund \$7,965,000 of outstanding loans with BB&T Bank. In 2008, the UCF Foundation refunded variable-rate debt and converted it into fixed-rate-tax-exempt debt. BB&T Bank is waiving any penalties and allowing the UCF Foundation to refund the Series 2008 loan a year earlier than the call date.

The FFC had previously approved the UCF Foundation refunding three loans totaling \$21,635,000 and also creating a Line of Credit with BB&T Bank. The bank changed their terms, however, and the Line of Credit is no longer being considered. The option now is to refund the \$7,965,000 amount.

The committee unanimously approved the item, with Chairman Marchena recusing himself because of a conflict of interest. When the new interest rate is known, Merck and Pittman, in consultation with Chair Martins, will determine whether the interest-rate savings are reasonable, and if so, will execute the transaction.

Chair Martins adjourned the Finance and Facilities Committee meeting at 9:39 a.m.

Respectfully submitted: William F. Merck II 4-4-17  
William F. Merck II Date  
Vice President for Administration and Finance  
and Chief Financial Officer

**ITEM: FFC-1**

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

**SUBJECT:** Revision to University Regulation UCF-6.007 Traffic/Parking Regulation and Enforcement, and University Regulation UCF-6.008 Vehicle Registration Fees; Parking Violation Fines

**DATE:** April 19, 2017

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**PROPOSED COMMITTEE ACTION**

Approve the attached amendments to existing university regulations UCF-6.007 Traffic/Parking Regulation and Enforcement, and UCF-6.008 Vehicle Registration Fees; Parking Violation Fines.

**BACKGROUND INFORMATION**

Florida Board of Governors Regulation 1.001 provides that “Each Board of Trustees is authorized to promulgate University Regulations in accordance with the Regulation Development Procedure adopted by the Board of Governors.”

University regulation UCF-6.007 relates to campus traffic and parking requirements, including restrictions on campus parking and the requirement that any vehicle parked on campus must properly display a parking permit. The regulation describes the registration process for parking permits and enforcement of parking rules. This regulation is amended to add employee classifications to those eligible to purchase “A” permits, and it gives all employees with salaries less than \$50,000 the choice to purchase either a “B” or a “C” permit. Additional language regarding “G” permits has been added, and the requirement to file a police report for a stolen tag has been removed. Additional minor changes have been incorporated into the regulation.

University regulation UCF-6.008 stipulates vehicle registration fees and the schedule of parking violation fines. The only change to this regulation is to replace the term “working days” with “business days” to be consistent with other university regulations.

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**Supporting documentation:** Attachment A: Proposed University Regulation UCF-6.007 (redline)  
Attachment B: Proposed University Regulation UCF-6.008 (redline)

**Prepared by:** Youndy C. Cook, Deputy General Counsel

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



Attachment A

**UCF-6.007 Traffic/Parking Regulation and Enforcement.**

(1) General Information.

(a) Definitions.

1. The term “vehicle” shall include bicycles, motorcycles, automobiles, trucks, and other mobile equipment.
2. High Efficiency Vehicles: Vehicles which run on rechargeable batteries and gasoline engines combined or which use one or more electric motors or other non-fossil fuel for momentum. Only these vehicles will be allowed to park in spaces that have signs and/or stenciling that state “Hybrid Vehicles Only” or “HEV Parking Only”. Only Electric Vehicles which require electricity for power may park in the parking spaces designated “Electric Vehicles Only”. Vehicles parked in these spaces must be in the charging mode. Maximum time allowed in Electric Vehicle Only spaces is 4 hours. Valid UCF parking permits must be displayed.
3. Decals and hang tags: Printed labels or hang tag permits issued by the university evidencing vehicle registration. For the purposes of this regulation, the words “decal”, “hang tag”, and “permit” are synonymous.

- (b) The University Parking and Transportation Advisory Committee serves as the principal advisory body to the president through the vice president for Administration and Finance, recommending policies and regulations that govern traffic and parking on the UCF campus. The committee shall consist of two (2) faculty members selected by the Faculty Senate Parking Advisory Committee; two (2) students appointed by the president of Student Government Association; two (2) staff members appointed by USPS Staff Council; one (1) Administrative and Professional employee appointed by the vice president for Administration and Finance. The vice president for Administration and Finance will appoint one additional member to serve as chair. The term of service shall be two (2) years, staggered with the exception of student members, who shall serve for one year. The committee may elect a vice-chair to serve in the absence of the chair.
- (c) The University Parking Citation Appeals Committee is composed of up to two faculty (2) members, four (4) students, two (2) university employees and one (1) chair. The University Parking Citation Appeals Committee has jurisdiction over violations of the university’s parking regulations. In those cases heard before it, this committee will render

decisions adjudicating guilt and will impose appropriate monetary or restrictive penalties. The University Parking Citation Appeals Committee reports to the vice president for Administration and Finance.

- (d) Applicability – The provisions of this regulation shall apply at all times to vehicles that are operated or parked on the UCF campus. The fines, penalties and other sanctions against persons in violation of the provisions of this regulation will be enforced as follows:
  - 1. In the case of a vehicle registered with the Department of Parking and Transportation, the university shall assess fines for parking violations against the person in whose name the vehicle is registered with Parking and Transportation Services.
  - 2. In the case of a vehicle not so registered, assessments for parking violations shall be made against the operator if it is determined that the operator at the time of the violation is associated with the university and, in fact, should have registered the vehicle with the Department of Parking and Transportation.
  - 3. If a vehicle is not registered with the university and the operator is not associated with the university, fines will be assessed against the vehicle's state registration vehicle certificate holder.
- (e) Responsibility – Unless otherwise noted, the Department of Parking and Transportation is responsible for the implementation and enforcement of this regulation and for resolution of disputes with regard to the university's parking and traffic regulations.
- (f) Authorizations.
  - 1. Operation of a motor vehicle upon the campus of UCF is a privilege granted by the university. All vehicles parked on the university campus must be currently registered with the Department of Motor Vehicles and display a valid license tag. UCF adheres to Florida State Statutes regarding vehicle registration expiration dates.
  - 2. The university is authorized and reserves the right to regulate the use of any of its vehicle parking facilities for the exclusive use of designated groups or individuals.

3. Any individual possessing a valid driver's license may operate a properly registered motor vehicle on the UCF campus in accordance with the provisions of these regulations.
4. UCF police officers, community service officers (CSO's) and parking patrollers are authorized to issue a university parking and traffic citation to any person or vehicle violating university parking and traffic regulations.
5. Vehicles are subject to immobilization or being towed from the campus, depending upon the need for such action, as set forth in these regulations.
6. UCF assumes no responsibility for vehicles, or their contents, parked on campus.

(2) Registration Regulations.

- (a) All motor vehicles parked on the UCF campus must be registered with the Department of Parking and Transportation and have the appropriate parking permit properly displayed while parked on campus. This includes vehicles used by evening and special students.

Exceptions to this requirement are as follows:

1. Vehicles displaying "government" license plates.
  2. Properly identified Government officials, such as FBI, ATF, US Customs, etc., who park on campus on official business, whose vehicles do not display an official government tag or other governmental markings, may be issued a one day parking permit free of charge. These permits may be issued at either the Visitor and Parking Information Center or the Department of Parking and Transportation.
  3. Construction personnel and contractors engaged in projects on campus may park within the designated fenced enclosure of the construction site without a UCF parking permit.
  4. Visitors shall comply with subparagraph (i)15 below.
- (b) Registration of more than one automobile and one motorcycle is permissible by paying full price for each permanent decal or hang tag. A hang tag permit transferable from automobile to automobile is also available; however hang tags cannot be transferred from an automobile to a motorcycle.
  - (c) The vehicle registration year begins September 1 and ends August 31 the following year. Each vehicle must be registered with permit properly displayed no later than the first day of classes of each semester.

- (d) All individuals who register their vehicles at the university must register them online. Registrants may pay for their parking permits online with a credit card, Knight Cash, or pay for them in person at the Department of Parking and Transportation in Parking Garage B.
- (e) Decal Display – Issued decals are to be permanently affixed to the registered vehicle. Decals must be affixed either to the left rear bumper or on the outside of the rear windshield of the driver’s side. Motorcycle decals must be affixed to the right front fork. Decals not affixed in accordance with instructions will result in a citation for improper display.
- (f) Hang tag permits must be displayed on the rear view mirror with the permit number and expiration date visible and legible from the exterior of the vehicle.
- (g) Registrants must register their own vehicle. The Department of Parking and Transportation must be notified of any change in ownership or license plate number.
- (h) Permanent decals are not transferable between individuals or vehicles. Upon sale or other disposal of a registered vehicle, the permanent decal must be destroyed unless the registrant wishes to purchase a replacement decal. If the registrant wishes to purchase a replacement decal, the registrant must remove the original decal from the disposed vehicle and return it (or sufficient fragments thereof, including the decal number) to the Department of Parking and Transportation as proof that the original decal is no longer in use.
- (i) Parking permits are sold or issued under the following guidelines:
  - 1. Only the university president, vice presidents, associate vice presidents, assistant vice presidents, deans and others as approved by the University Parking and Transportation Advisory Committee are eligible to purchase “A” permits. An “A” permit authorizes parking in a 24-hour reserved space, as well as in any other legal parking space on campus that is not reserved for 24 hours daily use. Only a limited number of 24-hour reserved spaces are available.
  - 2. Except as provided otherwise above in subparagraph (i)1, employees with salaries >\$50,001 must purchase “B” permits. “B” permits authorize parking in designated “B”, “C”, and “D” parking areas or in any unreserved parking garage on the campus. Employees with salaries ~~between \$35,001 and~~ < \$50,000 may purchase

either a “B” or “C” permit, but they must park in the type of facility designated by the permit they choose, or in any unreserved parking garage. Category of permit must be selected when the permit order is placed. ~~Employees with salaries <\$35,000 must purchase “C” permits. “C” permits authorize parking in designated “C” and “D” parking areas only, or in any unreserved parking garage on campus.~~ Full-time employees who are also enrolled in classes are not eligible to purchase student “D” permits.

3. All non-student OPS employees may purchase “B” or “C” permits based on the aforementioned criteria, but they must park in the type of facility designated by the permit they choose, or in any unreserved parking garage on the campus.
4. Eligible non-UCF employees of the Research Park and on-campus vending/retail establishments must purchase only “C” permits. A “C” permit authorizes parking in designated “C” and “D” areas only, or in any unreserved parking garage on the campus.
5. All students who do not live on campus may purchase only “D” permits. “D” permits authorize parking in designated “D” parking areas only or in any unreserved parking garage on the campus. Graduate Teaching Assistants, Graduate Research Assistants and all other student OPS employees must purchase only “D” permits.
6. All students, staff and faculty parking motorcycles, mopeds, or motor scooters on campus must purchase motorcycle (“MC”) permits. “MC” permits authorize parking in designated motorcycle spaces only.
7. Residential students who reside in the Apollo, Libra, Nike, Hercules, and Neptune communities must purchase only “R” permits. “R” permits allow parking in all “D” and “R” designated parking areas and any unreserved parking garage, however, posted overnight and game day restrictions apply.
8. Residential students who reside in the Lake Claire community must purchase only “RL” permits. “RL” permits allow parking in all “D” and “RL” parking areas and any unreserved parking garage, however, posted overnight and game day restrictions apply.



9. Students who reside in the Towers at Knights Plaza must purchase only “KP” permits. “KP” permits allow parking in parking garage E or G and any designated “D” parking area and any unreserved parking garage; however, posted overnight and game day restrictions apply.
10. Employees and students at the Rosen campus must purchase “Rosen College” permits. A “Rosen College” permit authorizes parking only at the Rosen campus.
11. Employees of the Athletics Department, UCF Convocation Corporation (UCFCC), and the Arena, may be issued “F” permits. Approval to purchase an ‘F’ permit must be granted by a designee of the Athletics Department or UCFCC. An “F” permit authorizes parking in parking garage F or any other parking lot or unreserved parking garage that is equivalent to the permit they are issued. “F” permits may be red or blue.
12. Special guests of the university, including but not limited to fully retired UCF employees, eligible campus ministry personnel and State Auditors, shall be issued “G” permits, subject to the availability of such permits. A “G” permit authorizes parking in any legal parking space on campus other than those reserved twenty-four (24) hours a day. Requests for this permit shall be submitted to the Department of Parking and Transportation. Retirees who return to work in a full-time position with benefits are not eligible to receive a “G” permit. “G” permits, whether decal or hang tag, are assigned to the retiree or other eligible person(s) for their use only and may not be transferred to another person. Such transference constitutes fraud and the permit may be confiscated. Further, additional permit issuance may be prohibited to the retiree as well as any other individual involved with the use of said permit. A replacement fee may be assessed for a “G” permit that is reported lost.
13. Employees and students of the Health Sciences Campus must purchase an “M” permit of the appropriate classification (“BM”, “CM”, or “DM”). “M” permits allow parking at the Health Sciences Campus and the UCF main campus in “B”, “C”, or “D” lots as their permit designates.
14. Vendor permits are available to vendors who conduct business on the university campus. University departments located off campus may purchase vendor permits for short term, official business only. Vendor permits allow for parking for short

term (2 hours) for use of Service Vehicles Only spaces for close parking access to buildings to load or unload materials, supplies, and/or equipment. For all other usage, including any parking exceeding 2 hours, Vendor permits allow use of any “C” or “D” parking lot or unreserved parking garage spaces. Vendor permits are not intended to be used to provide convenient parking or an alternative to purchasing a parking permit. Departments that purchase vendor permits are specifically prohibited from allowing students to use the permits for non-vendor functions, e.g. to go to class or attend campus events. If heavy lifting of materials is not required, a UCF staff hang tag may be purchased instead. Vendors who need a permit on an infrequent basis may purchase a daily permit that can be used as a vendor permit. In such cases vendors must inform Parking and Transportation Services personnel of their need for a vendor parking permit. Departments found in violation of this regulation will have their vendor permit confiscated and rescinded for the balance of the parking year, and may be designated as ineligible for purchase/re-issue of a vendor permit for a period up to one year.

15. Visitors to the campus shall purchase a daily visitor’s parking permit at the Visitors and Parking Information Center or the Department of Parking and Transportation. This permit is to be displayed on the vehicle as instructed and authorizes parking in student (“D”) parking lots and unreserved parking garages unless otherwise directed by parking services personnel. Daily permits are valid from time of purchase until 11:59 p.m. of the date purchased. Visitors may also park in any metered parking space by paying the appropriate parking meter fee. Meters may be enforced 24 hours a day, unless otherwise posted.
16. Persons holding current, permanent state-issued disabled parking permits, disabled veteran or wheelchair license plates, or temporary state disabled parking permits are required to purchase a UCF parking permit of appropriate classification, i.e., “B,” “C,” or “D,” or “Daily Visitor” to park on the campus.
  - a. Disabled persons with such appropriate permits may park in any available disabled parking space on the campus, including unreserved parking garages, except for those spaces that are restricted, such as designated twenty-four hour reserved or service parking spaces.

- b. State-issued disabled parking permits or license plates and a valid UCF parking permit, or daily visitor permit must be properly displayed on the vehicles.
- 17. Temporary parking permits must be obtained when an unregistered substitute vehicle is being parked on campus. A temporary permit may be obtained at the Visitors and Parking Information Center or at the Department of Parking and Transportation during business hours. A temporary permit for substitute vehicles is issued at no charge and allows the same parking privileges as does the permanent decal for which it substitutes. A temporary permit shall be issued for a maximum period of seven (7) days. A maximum of six (6) temporary permits may be issued to a vehicle in a single semester. A temporary permit may be issued for one day only to those who have purchased a hang tag. Failure to obtain a temporary permit will result in a citation for no permit. A temporary permit shall be displayed on the vehicle rearview mirror facing forward.
- 18. Patients of UCF Health Services and UCF Counseling Center or Wellness and Health Promotion Services:
  - a. Health Services: Both a valid UCF parking permit and Health Services parking pass must be properly displayed when parking in Health Services patient spaces. The Health Services pass must be obtained from the reception desk located in Health Services.
  - b. Counseling Center: Both a valid UCF parking permit and Counseling Center parking pass must be properly displayed when parking in the Counseling Center patient spaces. The Counseling Center pass must be obtained from the reception desk located in the Counseling Center.
  - c. Biofeedback Clients: Both a valid UCF parking permit and Biofeedback Center parking pass must be displayed when parking in the Biofeedback client spaces. The Biofeedback pass must be obtained from Wellness and Health Promotion Services.
- 19. Replacement permits:
  - a. Replacement decals are issued for \$14.08 plus tax for a multi-semester permit and \$7.04 for a one semester permit. Proof of sale of the vehicle or

return of the original permit is required. If a permit is stolen, ~~a police report~~ a stolen parking permit affidavit must be filed and ~~a stolen permit form~~ signed before the replacement permit may be issued.

- b. When the original permit or sufficient remnants thereof, is not returned or proof of sale is not provided, the replacement fee shall be the full fee in effect at the time of the replacement. The full fee also applies to permits to replace those that are reported lost.

### (3) Parking Regulations.

- (a) The responsibility of locating a legal parking space rests with the motor vehicle operator. Lack of a convenient space shall not be considered as a valid excuse for violation of any parking regulation. The fact that a person parks or observes others parking in violation of any parking regulation without being cited does not mean that the regulation is not in effect.
- (b) Except as noted herein, all parking regulations apply twenty-four (24) hours a day, seven (7) days a week and parking areas are restricted to specific decal or decals as designated by posted signs or curb markings. However, between the hours of 5:30 p.m. and 7:00 a.m. any vehicle with a valid parking permit may use any "B" (Faculty), "C" (Staff) or "D" (Student) parking space except where otherwise specified by appropriate signs or markings. "A" (Reserved 24 hours), "Service Vehicle Only" parking spaces, and disabled parking spaces shall not be used at any time except by vehicles with decals or certification authorizing use of these specific spaces.
- (c) Metered parking is enforced twenty-four hours a day, seven days a week. Drivers of all vehicles using metered spaces are responsible for paying the posted meter fees.
- (d) The following parking practices are specifically prohibited:
  - 1. Parking on lawns, landscaped areas, sidewalks, or other areas not specifically designated by signs or curb markings as parking areas. The absence of a "No Parking" sign does not mean parking is permissible in an area.
  - 2. Double parking, parking any portion of a vehicle outside designated lines or beyond a post or other delineation device indicating a valid parking space or row.
  - 3. Blocking traffic, other parked vehicles, service areas or spaces, roadways, crosswalks, or wheelchair access aisles and ramps.

4. Parking in an access lane. An access lane is any area that is not designated as a parking space and that provides an avenue for traffic flow.
5. Except as noted in paragraphs (b) and (c) above, parking in any space designated for decals other than the one displayed on the vehicle.
6. Parking in a metered space after the purchased amount of time has expired.
7. Unauthorized parking in 24-hour reserved "A" parking spaces.
8. Unauthorized parking in designated service areas.
9. Parking an unregistered vehicle without a valid parking permit anywhere on the UCF campus.
10. Failure to display parking permits properly: not permanently affixed, improperly placed, or not displayed on the vehicle for which purchased.
11. Failure to cancel registration or to destroy parking decal upon disposal of the registered vehicle.
12. Unauthorized or fraudulent use of a parking permit.
13. Parking a bicycle in a motor vehicle space, on disabled ramps, in areas designated by signs as no bicycle parking, on sidewalks or crosswalks, or in any way to impede ingress or egress of a building.
14. Parking a motorcycle in a motor vehicle space, or any space not designated as motorcycle parking.

(4) Disposition of Parking Citations.

- (a) Payments of non-contested parking citations must be received by the Department of Parking and Transportation within ten (10) working days from the date of citation issue. A late charge of \$10.00 shall be assessed each citation if payment is received after the ten (10) ~~working~~business day period. Payments shall be made by mail, in person, by telephone, online (at [www.parking.ucf.edu](http://www.parking.ucf.edu)), or by deposit in campus fine collection boxes. Campus fine collection boxes are yellow and located throughout the campus.
- (b) Once a citation has been placed on the vehicle, Parking and Transportation personnel have no further responsibility of notification.
- (c) Fifty (50) or more coins used in any parking related transaction delays processing and will not be accepted as a form of payment.



- (d) Any person who alleges being unjustly ticketed shall appeal the citation online at [www.parking.ucf.edu](http://www.parking.ucf.edu) within ten (10) ~~working~~business days from the date the citation was issued. The Director of the Department of Parking and Transportation or an authorized designee shall eliminate late charges or dismiss the citation altogether if it is determined to have been issued in error. Appeals not sustained by the director or authorized designee shall be heard by the Parking Citation Appeals Committee. Individuals requesting appeals shall be notified of their scheduled hearing date at the time his or her appeal is submitted online. A reminder of the notification will be emailed to the appellant prior to the scheduled appeal date. In addition, appellants shall be notified by email of the committee's decision subsequent to the appeal being heard. Fees assessed due to a vehicle's immobilization may not be appealed.
- (e) The decisions of the Parking Citation Appeals Committee shall be based upon the provisions set forth in this regulation and extenuating circumstances, if any, and are final and binding, except as set forth herein. A student may request a second level of appeal by submitting a written appeal with the Student Government Association's Judicial Council within ten (10) business days upon receiving notification that the original appeal to the Parking Citation Appeals Committee was heard and denied; ~~however, citations that have been appealed and assessed an administrative fee will not be accepted or granted and the administrative fee will apply.~~ The Student Government Association is responsible for establishing the appeal procedure for this second level of appeal. The decision of the Judicial Council is final and binding and no further appeals shall be permitted. For purposes of this appeal process, "student" shall be defined to mean a person enrolled in classes at UCF as of the date of the parking citation.
- (f) The following reasons will not be accepted by the Judicial Council as grounds to dismiss or reduce a citation. This is not an all-inclusive list:
1. Disagreement with the traffic and parking regulations
  2. Ignorance of the regulation
  3. Stated inability to find a permitted parking space
  4. Operation of the vehicle by another person
  5. Tardiness to class and/or appointment
  6. Inability to pay fine (lack of money)

7. Displayed expired permit
8. Traffic congestion
9. Stated perception that designated parking area is not safe
10. To delay paying the fine for an appealed citation
11. Unsupported evidence of direction by any university official

(g) Students should consider the following when choosing to file an appeal with the Judicial Council:

1. Make sure the reason for the appeal is not one of those listed in subsection (f) above.
2. The student must prepare a concise written and/or oral statement not to exceed five minutes.
3. The Judicial Council will contact the student within three (3) business days to schedule a hearing. The case will be scheduled within ten (10) business days upon the Judicial Council receiving notice of the appeal. If the student does not appear for the hearing in person before the Judicial Council, the original decision of the Parking Appeals Committee will be sustained. The Director of Parking and Transportation Services does not have the authority to overturn the decision of the Judicial Council.

(5) Vehicle Immobilization.

(a) Vehicles are subject to immobilization under the following circumstances:

1. The vehicle has accumulated three or more unpaid parking citations, or unpaid citations totaling \$200.00 or more in fines.
2. Possession of, using, or displaying a fraudulent/unauthorized parking permit. Violators may also be subject to referral to the Office of Student Conduct.
3. For law enforcement purposes, in which case an immobilization release fee may not be charged.

(b) Cost of release from immobilization is \$50.00 and payment of all unpaid citations.

Citations issued up to time immobilization are not allowed to be appealed. Release is available from Parking Services personnel Monday through Friday 7:30 a.m. to 9:00 p.m.

(6) Tow away – Vehicles are subject to being towed from campus at the owner's expense under the following circumstances:

- (a) The vehicle is parked in a hazardous manner, blocking traffic, roadways, crosswalks, sidewalks, disabled ramps, or creating a hazard such as leaking gasoline.
- (b) The vehicle is parked in a space reserved twenty-four (24) hours per day.
- (c) When arrangements to release an immobilized vehicle have not been made within forty-eight (48) hours of the original immobilization.
- (d) When the vehicle is abandoned on campus for any reason whatsoever for more than forty-eight (48) hours.
- (e) When immobilization is not appropriate due to vehicular construction.
- (f) When the vehicle owner has previously removed or attempted to remove an immobilization device without authorization.
- (g) When the vehicle is parked in a parking lot or garage during posted time restrictions.

(7) Revocation of Campus Parking Privileges – The Director of the Department of Parking and Transportation shall revoke the privilege of any person to park a vehicle on campus for a period of one year when it is determined that:

- (a) That person falsifies or willfully misrepresents vehicle registration information.
- (b) That person, whether the owner or operator, displays a fraudulent permit on a vehicle.
- (c) That person has accumulated six (6) or more parking citations during an academic year.

(8) Administrative Penalty for Non-Payment of Parking Citations – A student who is delinquent in the payment of parking citations shall not be permitted to register for class, drop or add classes, receive transcripts or diplomas until the debt has been satisfactorily resolved.

(9) Traffic Regulations.

- (a) Florida Uniform Traffic Control Law, Chapter 316, F.S., as well as Chapter 320 F.S., is in effect on campus at all times.
- (b) Campus speed limits are 10 mph in parking lots and parking garages and 30 mph on roads unless otherwise posted.
- (c) It is a violation to drive or park in an opposing direction than indicated by signs, flow of traffic or directional arrows. Back in parking is allowed unless prohibited by posted signage located at entrances to parking lots or garages.
- (d) Parking bicycles, scooters or vehicles on grass or on sidewalks not used as access areas is a violation. Conveyances used by disabled persons are exempt from this regulation.

- (e) State of Florida Uniform Traffic citations issued on campus by university police officers are referred to appropriate local government courts for disposition.

*Authority: BOG Regulation 1.001. History—New 3-22-76, Amended 8-19-82, 5-5-83, 8-14-83, Formerly 6C7-6.07, Amended 8-1-88, 9-20-89, 8-12-90, 7-21-91, 10-11-92, 9-8-93, 9-15-96, 8-14-02, 12-8-03, 8-14-05, 6-27-06, 8-15-06, 6-25-07, 7-31-08, Formerly 6C7-6.007, Amended 7-1-09, 6-24-10, 7-7-11, 3-16-12, 7-23-13, 9-2-14, 6-22-15, 7-5-16, \_\_\_\_\_-17.*

## Attachment B

**UCF-6.008 Vehicle Registration Fees; Parking Violation Fines.**

(1) Vehicle Registration Fees. All fees, as posted, do not include applicable State Sales Taxes. Vehicle permit fees are subject to change at the beginning of each academic year. There is no refund for a parking permit once it is issued.

(a) Decal fees for the ~~2015-16~~2017-18 academic years and going forward are:

Classification	Multi-semester	1 Semester
B	\$303.60	\$152.29
BM	\$303.60	
C	\$181.01	\$ 90.98
CM	\$181.01	
D	\$90.03	\$ 45.01
DM	\$90.03	
G	No charge	No charge
KP	\$135.04	\$67.52
MC	\$46.93	\$23.94
R	\$135.04	\$67.52
RL	\$135.04	\$67.52

(b) Hangtag fees for the ~~2015-16~~2017-18 academic years and going forward are:

Classification	Multi-semester	1 Semester
A	\$1029.58	\$514.79
B	\$318.78	\$159.39
BM	\$318.78	
C	\$190.06	\$95.03
CM	\$190.06	



D	\$94.53	\$47.27
KP	\$141.79	\$70.90
R	\$141.79	\$70.90
RL	\$141.79	\$70.90
V	\$47.89 monthly or \$478.87 annually from date of purchase	

(c) Additional Parking Fees:

1. Daily Visitor: \$5.00 per day.
  - a. Daily Visitor permits after 5:30 p.m.: \$3.00
  - b. Daily Visitor permits are valid from the time of purchase until 11:59 p.m. the same day.
2. Temporary, No Charge (available to current permit holders only).
3. Metered parking: \$1.00 per hour.
4. Pay-by-space (Visitors Lot Only): \$1.00 per hour for a 2-hour maximum.
5. Replacement permits are issued for \$14.08 plus tax for a multi-semester permit and \$7.04 plus tax for a one semester permit. Proof of sale of the vehicle or return of the original permit is required.

(d) Special Provisions. All on-campus residents must pay a premium of 50% above the regular price of a decal. Parking Lots H-5 through H-9 are designated for Lake Claire residents only.

(e) Students who are enrolled in the programs offered by the Center for Multilingual Multicultural Studies (CMMS) are eligible to purchase a seven (7) week permit designated as “DIT”. The fee for each seven (7) week permit will be \$25 + state sales tax.

(2) Schedule of Parking Violation Fines.

(a) Violation	Fine
Unregistered or No Valid Permit	\$30.00
Improper Display of Permit	\$20.00
Unauthorized or Fraudulent Use of Permit	\$100.00

Expired License Plate	\$40.00
Parking in a Disabled Space Without Proper Permit	\$250.00
Blocking a Disabled Ramp	\$250.00
Unauthorized Parking in a 24-Hour Reserved Space	\$50.00
Blocking Traffic or a Roadway	\$30.00
Parking in a Service Vehicle Space Without Proper Permit	\$35.00
Parked Out of Assigned Area	\$25.00
Expired Meter or Overtime in a Pay-by-Space Parking Space	\$20.00
Parking in an Undesignated Area	\$30.00
Immobilization Fee	\$50.00
Any Other Parking Violation Not Herein Specified	\$20.00

- (b) All parking violation fines are due within 10 ~~working~~business days. Fines not paid within ten (10) working days, will accumulate a \$10.00 late fee.
- (c) Administrative Fees: A fee may be applied in lieu of the original citation fee(s) when the appellant is found to have committed the violation but the appeals committee deems it reasonable to waive a portion of the fee.
1. Immobilization (Boot) Fee: \$50.00
  2. Impoundment Fee (for bicycles): \$20.00
  3. Failure to display a valid parking permit: \$10.00 each occurrence
  4. Failure to display a valid license plate: \$10.00 each occurrence

*Authority: BOG Regulations 1.001 and 7.003. History–New 7-1-09, Amended 8-12-10, 7-7-11, 6-29-12, 7-23-13, 7-9-14, 7-1-15, \_\_\_\_\_-17.*

**ITEM: FFC-2**

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

**SUBJECT:** Minor Amendment to the University of Central Florida 2015-25 Campus Master Plan

**DATE:** April 19, 2017

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**PROPOSED COMMITTEE ACTION**

Approve a minor amendment to the University of Central Florida 2015-25 Campus Master Plan to set aside three acres of currently undeveloped land in the northeast sector of campus south of the softball field for a temporary grassed parking lot called “Temporary Grass Parking Lot and a 12-acre future Golf Range and Short Game Facility.” The amendment will modify the Urban Design map (Attachment D) and the Capital Improvements List (Attachment C).

**BACKGROUND INFORMATION**

The purpose of the proposed amendment is to include this parking lot in the Capital Improvements List, Urban Design, Recreation and Open Space, and Future Land Use Elements of the 2015 Campus Master Plan. The parking lot will provide overflow parking for football game days and other events. The project includes the clearing of 15 acres of undeveloped land and the compaction and delineation of a three-acre temporary Bahia grass parking lot and a 12-acre possible future golf driving range and short game facility. The current access road will be slightly extended southward 120 feet to reach the northern edge of the parking lot.

The described use of the 15 acres would be temporary, not to exceed the time when the site is needed for education and research facilities or for a period of 10 years, whichever is less. The 15 acres will temporarily be changed from academic to activity-based recreation and open space.

As more particularly outlined in the attached memorandum, the amendment would constitute a minor amendment that needs only Board of Trustees approval for adoption.

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**Supporting documentation:** Attachment A: Memorandum from Gina Seabrook  
Attachment B: Project Location  
Attachment C: Capital Improvements List  
Attachment D: Urban Design Map  
Attachment E: Future Use Land Map  
Attachment F: Recreation and Open Space Map

**Prepared by:** Lee Kernek, Associate Vice President for Administration and Finance  
David Hansen, Executive Associate Athletics Director and Chief  
Operating Officer

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

Attachment A

**MEMORANDUM**

**TO:** Scott Cole, Vice President and General Counsel

**FROM:** Gina Seabrook, Resource Management

**SUBJECT:** Minor Amendment to the University of Central Florida 2015-25 Campus Master Plan Update

**DATE:** March 24, 2017

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The University of Central Florida proposes a minor amendment to its 2015-25 Campus Master Plan Update to amend the Capital Improvements, Urban Design, Future Land Use, and Recreation and Open Space Elements in order to add a temporary grassed parking lot and a future golf driving range and short game facility in the northeast sector of campus south of the softball field. Because the location is contiguous to the existing softball parking lot, it would only require extending the existing access road by approximately 120 feet. The new, temporary parking area would consist of a three-acre Bahia grass lot with the capacity of accommodating 250 cars. The new, temporary lot would serve as needed overflow parking during game days and other events. The possible future golf driving range and short game facility would comprise an additional 12 acres.

These areas are prime gopher tortoise habitats and may have over 40 active burrows. The project will need to cover permitting costs associated with surveying and removing tortoises to an off-site mitigation area. The constructed area will need to have a 25-foot buffer for the tortoises around the constructed area, and this buffer will need to remain outside the Arboretum boundary on the west side of the proposed project. A tortoise fence would also have to be installed to prevent animals from entering the site during construction and after it has been modified. The proposed second phase of the project would also need to stay outside of the surveyed Arboretum boundary. The project will need to adhere to UCF tree replacement standards, either by replacing trees onsite or on other areas of campus as designated by Landscape and Natural Resources. Stormwater permitting requirements, depending on any surface stabilization of the proposed parking area, may be required.

The 15 acres would be temporary, not to exceed the time when the site is needed for education and research facilities, or for a period of 10 years, whichever is less. The 15 acres will temporarily be changed from academic to activity-based recreation and open space.



Please find below an analysis of the statutory thresholds and university responses that reflect the nature of the amendment request as a minor amendment. The thresholds are referenced under section 1013.30(9), F.S.

An amendment to a campus master plan must be reviewed and adopted under subsections (6)-(8) if such amendment, alone or in conjunction with other amendments, would:

- (a) Increase density or intensity of use of land on the campus by more than 10 percent;

University Response: The proposed temporary grassed parking lot and a future golf driving range and short game facility increases the Recreation and Open Space land use by 15 acres. UCF currently has 108.46 acres of activity-based, recreation, and open space. This project constitutes 15 acres of activity-based recreation and open space land use, resulting in a 7.23 percentage increase in density or intensity of land use, which does not trip the 10 percent threshold for the use of land.

- (b) Decrease the amount of natural areas, open space, or buffers on the campus by more than 10 percent:

University Response: The proposed temporary parking lot and future golf driving range and short game facility take a natural, undeveloped area and change it to a grassed, open space. As a result, this amendment will not decrease the combined, existing natural areas, open space, or buffers on campus.

- (c) Rearrange land uses in a manner that will increase the impact of any proposed campus development by more than 10 percent on a road or on another public facility or service provided or maintained by the state, the county, the host local government, or any affected local government.

University Response: The proposed temporary grassed parking lot is a contiguous expansion of an existing lot and only extends the existing access road by approximately 120 feet. It will not generate an increase in capacity on any proposed campus development, road, or public facility by greater than 10 percent. The proposed future golf driving range and short game facility increases the activity-based recreation and open space land use by 12 acres. It will not generate an increase in capacity on any proposed campus development, road, or public facility by greater than 10 percent

In summary, the proposed land use change does not exceed the amendment threshold criteria in 1013.30 (9), F.S. and may therefore be treated as a minor amendment.

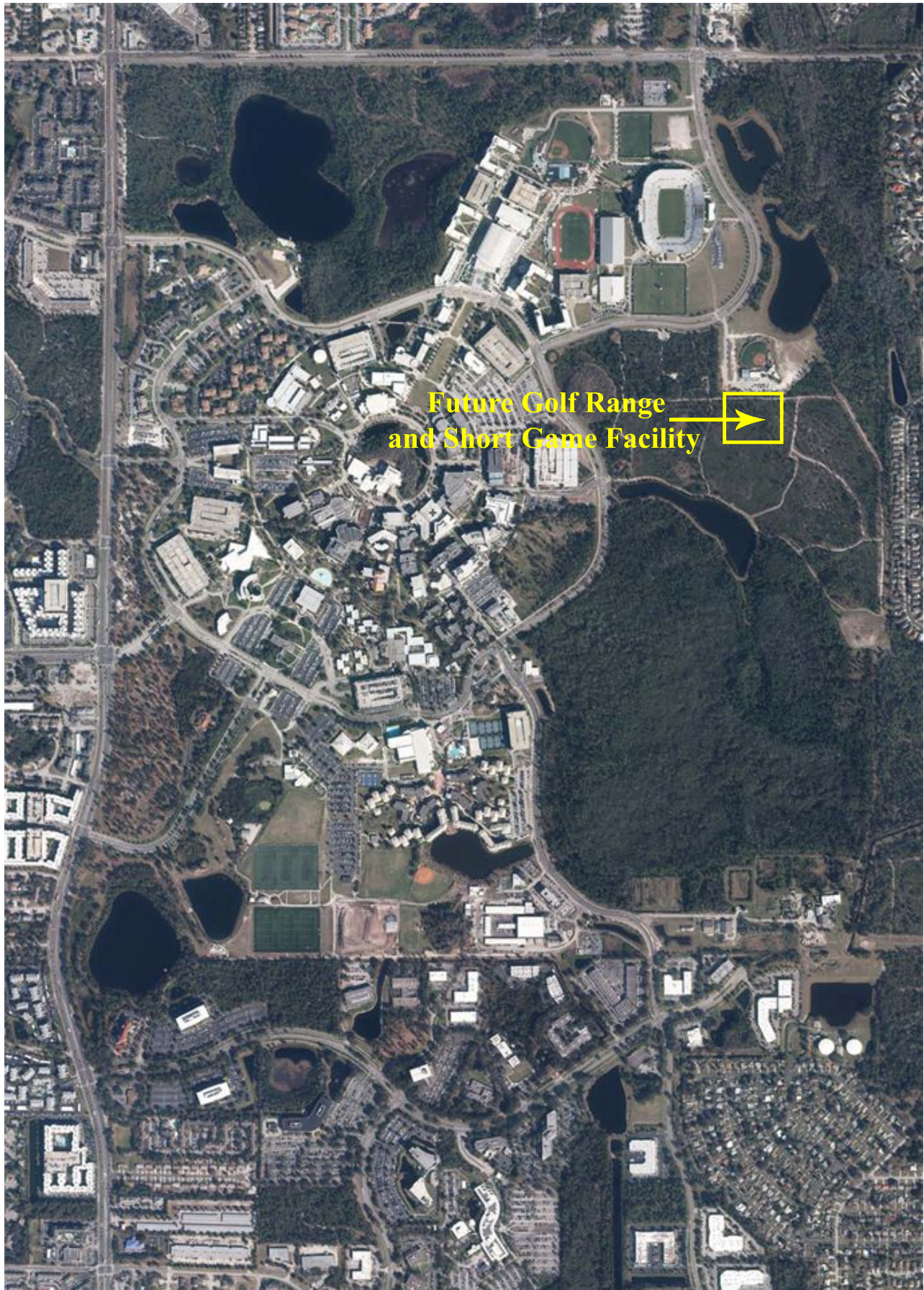
Thank you for your time and attention to this matter. If you require additional information, please contact Gina Seabrook at (407) 823-5894.

Attachment B





Attachment B





## Attachment C

Funding sources denote probable building completion year  
 Projects in green denote projects planned off-campus.  
 Projects in blue denote renovation and/or remodeling projects

**\*Fund Types:**  
PECO (Public Education Capital Outlay), C (Courtelis), P (Private),  
B (Bond), CITF (Capital Improvement Trust Fund), O (Other)



Attachment D

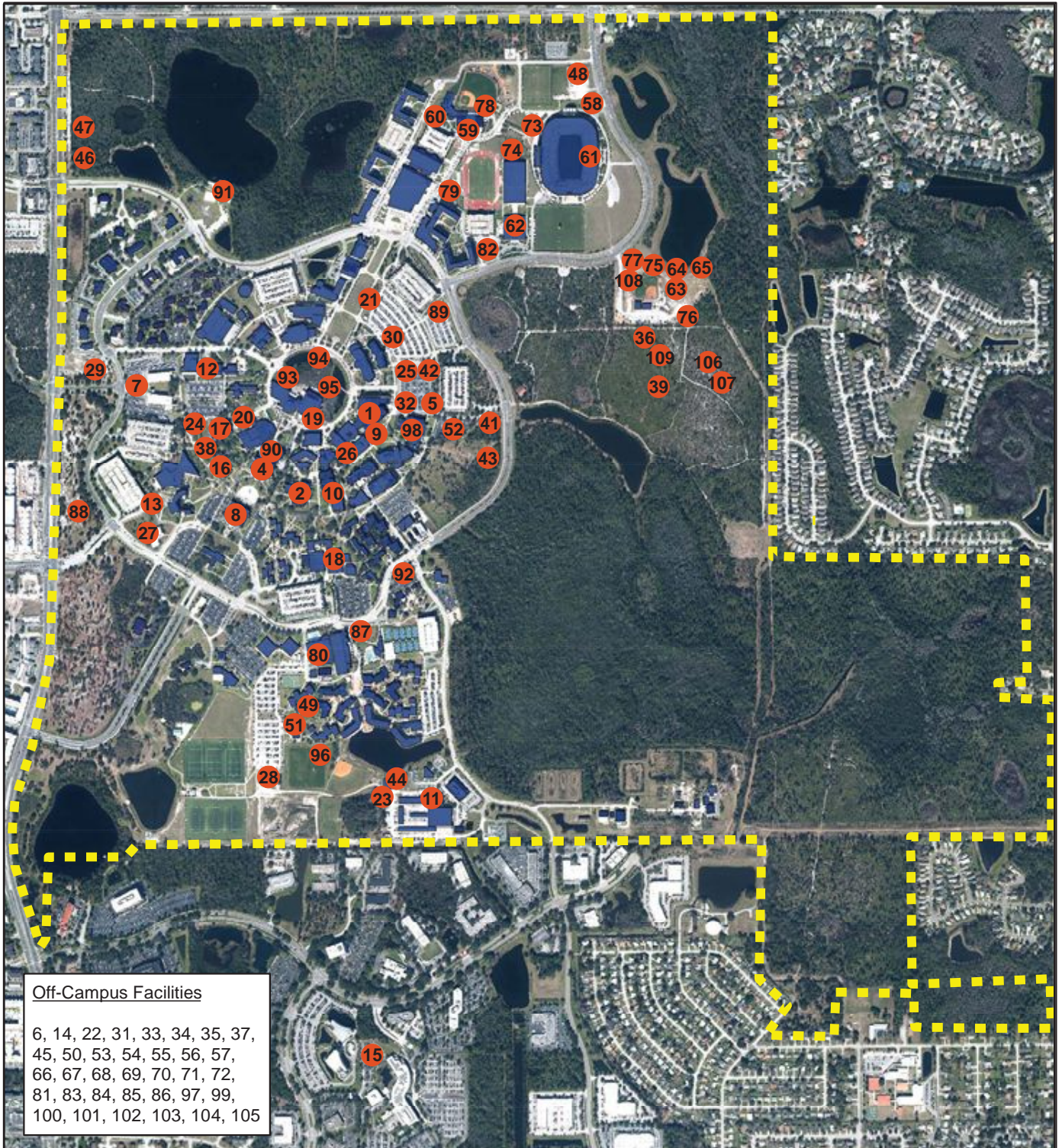


Figure 3-1

## Urban Design and Capital Improvements

Comprehensive Master Plan Update  
**University of Central Florida**  
Orlando, Florida  
2015-2025



All maps are diagrammatic and conceptual. The various areas shown are approximate and not to survey accuracy. The intent of these maps is to illustrate general areas of existing or potential use.

Rev. 20170331

### Legend

- 2015 Capital Improvements List Item
- Existing Buildings
- Boundary

To locate buildings on map, refer to  
Element 14: Capital Improvements List

0 1,000 2,000 4,000  
Feet



Attachment E

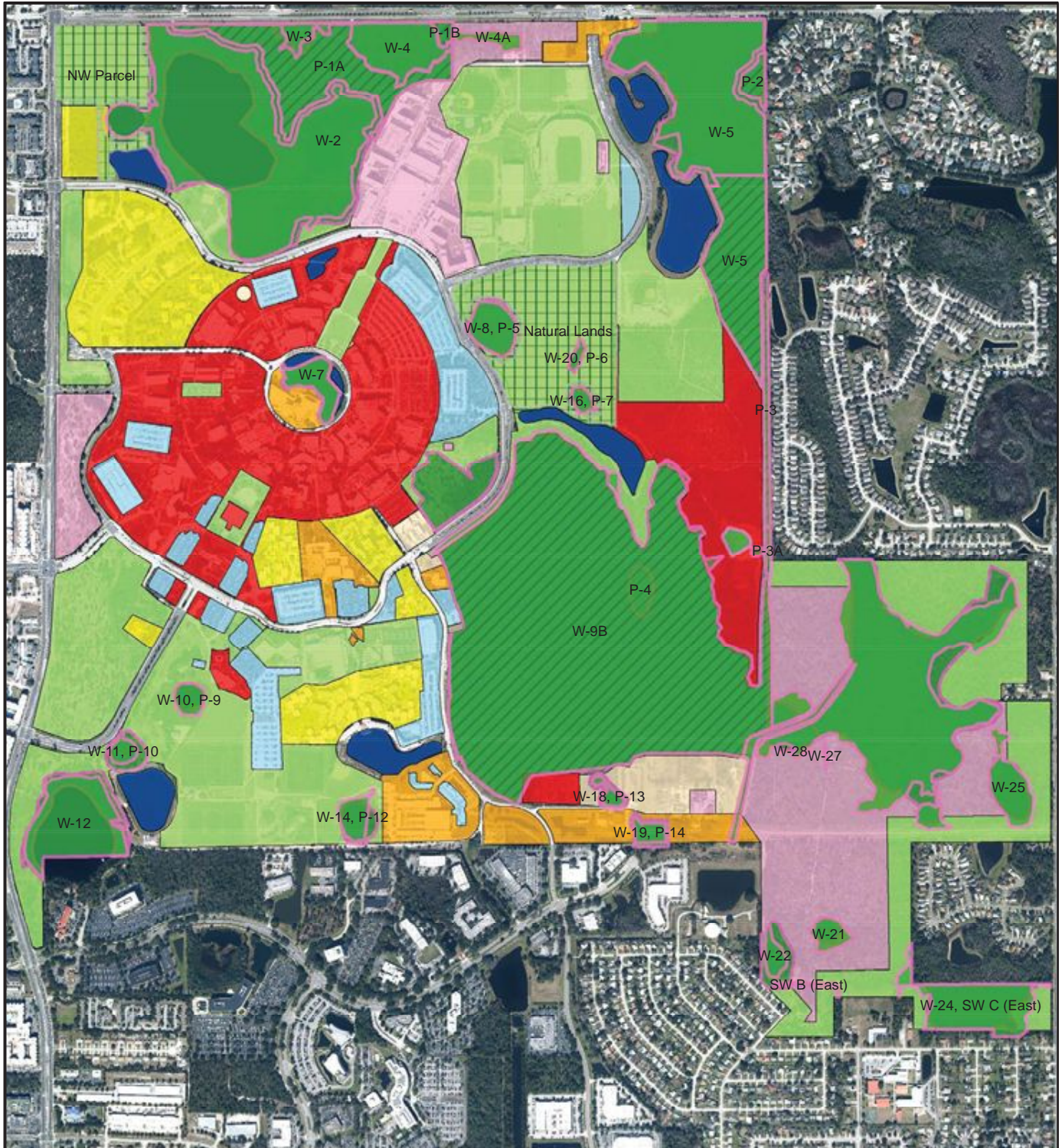


Figure 4-1

**Future Land Use**  
Comprehensive Master Plan Update  
**University of Central Florida**  
Orlando, Florida  
2015-2025

**Legend**

	Conservation (upland)		Academic/Research		Conservation Easements
	Conservation (Wetland)		Lakes		Residential
	Conservation Easement		Utility		Recreation/Open Space
	Parking		Conservation (wetland)		Mixed Use
	Support		Conservation (upland)		



All maps are diagrammatic and conceptual. The various areas shown are approximate and not to survey accuracy. The intent of these maps is to illustrate general areas of existing or potential use.

Rev 20170329





Attachment F

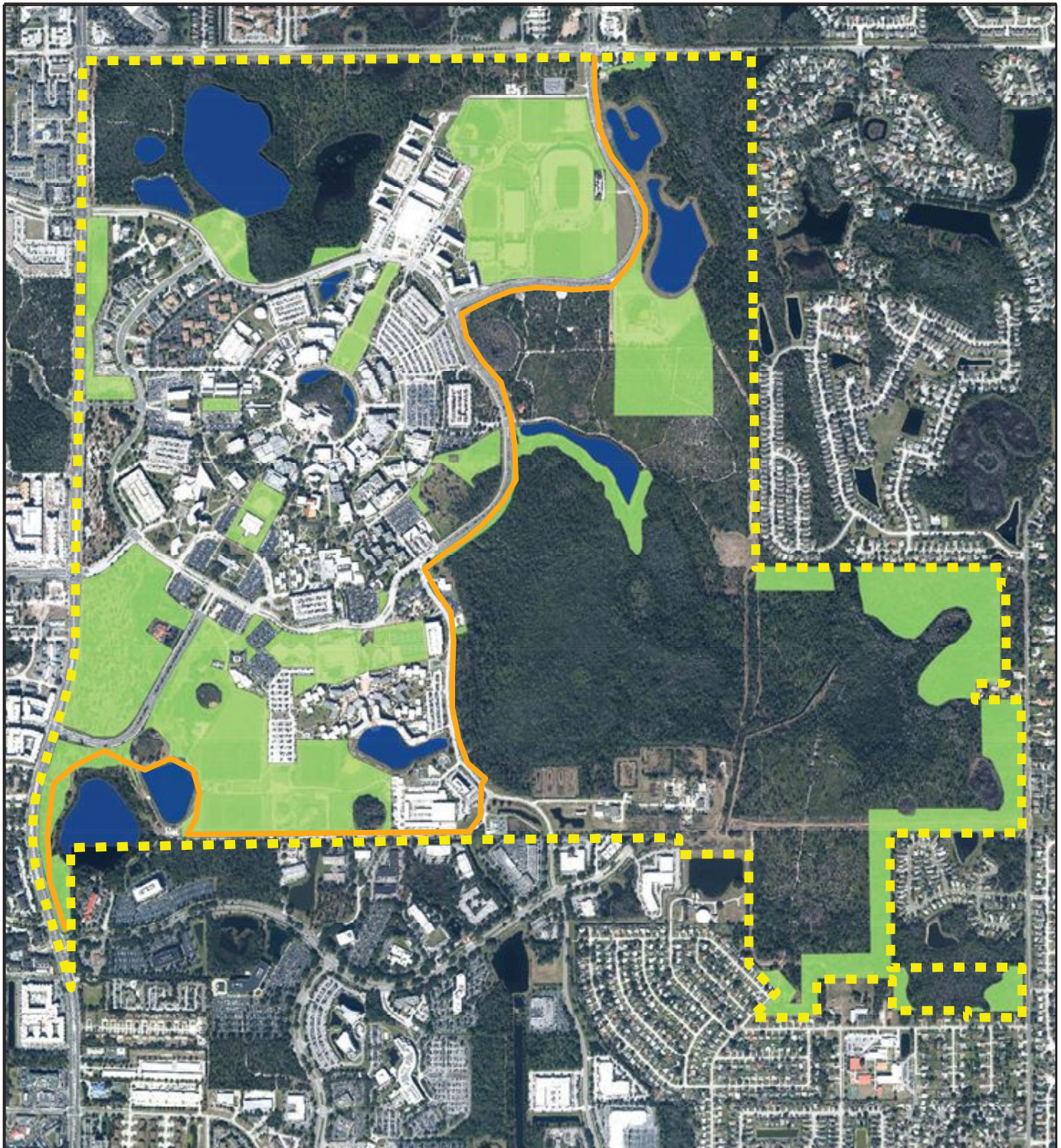


Figure 8-1

## Recreation and Open Space

Comprehensive Master Plan Update  
**University of Central Florida**  
 Orlando, Florida  
 2015-2025

### Legend

- Boundary
- Proposed Little Econ Greenway Trail

- Recreation and Open Space
- Lakes and Ponds



All maps are diagrammatic and conceptual. The various areas shown are approximate and not to survey accuracy. The intent of these maps is to illustrate general areas of existing or potential use.

Rev 20170329



**ITEM: FFC-3**

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

**SUBJECT:** Finance and Facilities Committee Charter Review

**DATE:** April 19, 2017

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**PROPOSED COMMITTEE ACTION**

Review the Finance and Facilities Committee charter for potential modifications.

**BACKGROUND INFORMATION**

Regulations implemented by the Board of Trustees in January 2011 direct the Finance and Facilities Committee to review its charter every three years. Changes only in style require approval at the committee level. Changes in content must be approved by the committee and then be presented to the full Board of Trustees for approval.

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**Supporting documentation:** Attachment A: Finance and Facilities Committee Charter

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

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



## Attachment A

**UNIVERSITY OF CENTRAL FLORIDA**  
**FINANCE AND FACILITIES COMMITTEE CHARTER**

**1. Overall Purpose/Objectives**

The Finance and Facilities Committee ("**Committee**") is a committee of the University of Central Florida Board of Trustees ("**Board**"), whose members are appointed by the Chairman of the Board. The general purpose of the Committee is to provide review, policy guidance and strategic oversight of the university's financial matters, financial reporting statements, campus master planning activities and other real estate type activities for both the University and its direct support organizations ("**DSO(s)**").

For university financial matters, the Committee will review actions to be presented to the Board and provide a recommendation. This includes, but is not limited to, the annual University budget and all tuition, room rents, and other student fees that are required by state statute to be approved by the Board. The committee will schedule and periodically review financial reports from the university's direct support organizations (DSO's).

For campus master planning and other real estate matters the Committee will coordinate the campus master planning process and provide recommendations to the Board for action. The committee will annually review the capital improvement plan submissions to the Board of Governors and State legislature, and periodically review programs that ensure the maintenance and safety of University facilities. The committee will review any real estate related projects or facilities involving the University or any of its DSO's, or any other university entities that may arise in the future by whatever designation, and make recommendations to the full Board. The Committee will participate in (and review and approve) the planning process for any DSO-initiated program that will materially affect the University either financially or in reputation, or involve any real estate related matters on or off campus.

**2. Authority**

The Board authorizes the Committee to:

- 2.1 Perform activities within the scope of its charter.
- 2.2 Engage outside consultants and other advisors as it deems necessary with approval of the Board or the President.
- 2.3 Have unrestricted access to management, faculty, and employees of the University and its DSOs, as well as to all books and records related to facilities planning.

### **3. Organization Membership**

- 3.1 The Chair of the Board will appoint the chair and members of the Committee, all of whom must be members of the Board.
- 3.2 The Committee will consist of at least five members.
- 3.3 Members will serve on the Committee until their resignation or replacement by the Chair of the Board.

### **4. Meetings**

- 4.1 A majority of the members of the Committee will constitute a quorum for the transaction of business.
- 4.2 Meetings shall be held not less than three times per year.
- 4.3 The Committee shall maintain written minutes of its meetings.
- 4.4 The Vice President for Administration and Finance, who has operational responsibility for facilities planning, will be the liaison to the Committee from the UCF Administration. Said Vice President will regularly meet and correspond with the Chairman of the Committee and in consultation with the Chairman, prepare the agenda for meetings of the Committee. Said Vice President will further advise and keep informed as needed both the President and the Chair of the Board on a regular basis regarding matters brought before and actions taken by the Committee.
- 4.5 The Committee may request special presentations or reports that may enhance members' understanding of their responsibilities.
- 4.6 It is the intent of the Committee for matters within its purview to come before the Committee as early as possible so that the Committee can issue its recommendations and exercise its oversight at the beginning of any particular project or matter.

### **5. Roles and Responsibilities**

#### **FINANCE**

With regard to each item listed below, the committee will:

- 5.1 review the annual operating budgets of the university and recommend appropriate action to the board
- 5.2 review the financial statements of the university's DSO's, making recommendations for action to the board as needed; (frequency of review is at the discretion of the committee, but will be not less than once each year)

- 5.3 review the annual capital budget request of the university and recommend appropriate action to the board
- 5.4 review annual (or interim) changes to the university's tuition and fees and any related policy changes, and recommend appropriate action to the Board
- 5.5 review the annual financial statements of the university, making any recommendations regarding such reports deemed necessary to the Board

## **FACILITIES**

### **6. Campus Master Plan**

- 6.1 Become familiar with the current campus master plan and the philosophies behind its development.
- 6.2 Understand the statutorily required process and frequency of updates to the plan.
- 6.3 Recommend amendments to the plan to the Board.
- 6.4 Recommend appropriate action regarding the acquisition and disposition of real property.

### **Capital Improvement Plan**

- 6.5 Review material proposed additions to and renovations of existing facilities, to include facilities of the University and DSOs.
- 6.6 Review and recommend to the Board the annual list of capital improvements for funding by the Legislature, including the PECO list and the Capital Improvement Program for all other projects.
- 6.7 Periodically review and recommend to the Board matters and facilities relating specifically to student housing, both on and off campus and further review a long-term strategic planning program for said student housing.

### **Direct Support Organizations**

- 6.8 Participate in the planning process for any DSO involvement in capital projects that affect the University either financially or in reputation or involve any real estate.
- 6.9 Review, provide oversight with respect to, and provide recommendations to the Board for any actions that may be required stemming from a DSO initiated capital project.

### **Maintenance of Facilities**

- 6.10 Review the effectiveness of the various University and DSO organizations in maintaining the buildings and grounds that are responsibilities of the Board.
- 6.11 Review the effectiveness of University law enforcement in protecting the physical assets of the University and providing a safe environment for the various University constituencies.
- 6.12 Review the effectiveness of the campus organizations responsible for environmental health and safety both in the buildings and on the grounds.
- 6.13 Provide recommended action items to the Board on all of the items above to the Board when necessary.
- 6.14 Adopt and recommend to the Board a policy associated with the naming of any buildings or facilities of the University.

### **Reporting Responsibilities**

- 6.15 Regularly update the Board about Committee activities and make appropriate recommendations.
- 6.16 Ensure the Board is aware of matters within the purview or responsibility of the Committee that may significantly impact the financial condition or legal liability of the University.

### **Charter Review**

- 6.17 Review the Committee Charter at least every three years and discuss any required changes with the Board.
- 6.18 Ensure that the charter is approved or reapproved by the Board after each update.

**ITEM: INFO-1**

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

**SUBJECT:** Direct Support Organizations' 2016-17 Second-Quarter Financial Reports

**DATE:** April 19, 2017

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For information only.

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

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

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

Finance and Facilities Committee - New Business

Attachment A  
UCF Athletic Association and UCF Stadium Corporation  
Consolidated Statement of Operations  
For the quarter ended December 31, 2016

	UCF Athletic Association	UCF Stadium Corporation	Combined	UCF Athletic Association	UCF Stadium Corporation	Combined	Variance to Budget		UCF Athletic Association	UCF Stadium Corporation	Combined	Variance to Prior Year	
	Actual 2016-17	Actual 2016-17	Actual 2016-17	Budget 2016-17	Budget 2016-17	Budget 2016-17	Favorable (Unfavorable)		Actual 2015-16	Actual 2015-16	Actual 2015-16	Favorable (Unfavorable)	
<b>Operating revenues</b>													
Athletic events, including premium seating	\$ 5,252,405	\$ 2,083,668	\$ 7,336,073	\$ 5,253,431	\$ 2,084,067	\$ 7,337,498	(1,425)	(0.02)%	\$ 3,823,745	\$ 2,120,727	\$ 5,944,472	\$ 1,391,601	23.41 %
University allocations	20,626,763	-	20,626,763	20,527,346	-	20,527,346	99,417	0.48 %	19,906,650	-	19,906,650	720,113	3.62 %
Sponsorship	1,565,753	750,000	2,315,753	1,576,750	750,000	2,326,750	(10,997)	(0.47)%	1,993,204	750,000	2,743,204	(427,451)	(15.58)%
Contributions	346,723	10,000	356,723	337,870	30,000	367,870	(11,147)	(3.03)%	313,134	253,170	566,304	(209,581)	(37.01)%
Other	212,027	97,263	309,290	209,224	130,000	339,224	(29,934)	(8.82)%	787,842	74,093	861,935	(552,645)	(64.12)%
<b>Total operating revenues</b>	<b>28,003,671</b>	<b>2,940,931</b>	<b>30,944,602</b>	<b>27,904,621</b>	<b>2,994,067</b>	<b>30,898,688</b>	<b>45,914</b>	<b>0.15 %</b>	<b>26,824,575</b>	<b>3,197,990</b>	<b>30,022,565</b>	<b>922,037</b>	<b>3.07 %</b>
<b>Operating expenses</b>													
Scholarships	4,593,354	-	4,593,354	4,616,717	-	4,616,717	23,363	0.51 %	4,059,450	-	4,059,450	(533,904)	(13.15)%
Employee compensation	9,420,046	-	9,420,046	9,413,937	-	9,413,937	(6,109)	(0.06)%	7,445,636	-	7,445,636	(1,974,410)	(26.52)%
Sport operations	3,585,102	-	3,585,102	3,591,394	-	3,591,394	6,292	0.18 %	3,308,851	-	3,308,851	(276,251)	(8.35)%
Support operations	4,095,930	-	4,095,930	4,080,373	-	4,080,373	(15,558)	(0.38)%	4,843,386	-	4,843,386	747,456	15.43 %
Other	772,874	24,199	797,073	771,813	70,000	841,813	44,740	5.31 %	1,356,917	508,610	1,865,527	1,068,454	57.27 %
<b>Total operating expenses</b>	<b>22,467,306</b>	<b>24,199</b>	<b>22,491,505</b>	<b>22,474,234</b>	<b>70,000</b>	<b>22,544,234</b>	<b>52,729</b>	<b>0.23 %</b>	<b>21,014,240</b>	<b>508,610</b>	<b>21,522,850</b>	<b>(968,655)</b>	<b>(4.50)%</b>
<b>Net operating income</b>	<b>5,536,365</b>	<b>2,916,732</b>	<b>8,453,097</b>	<b>5,430,387</b>	<b>2,924,067</b>	<b>8,354,454</b>	<b>98,643</b>	<b>1.18 %</b>	<b>5,810,335</b>	<b>2,689,380</b>	<b>8,499,715</b>	<b>(46,618)</b>	<b>(0.55)%</b>
<b>Nonoperating revenues (expenses)</b>													
Net transfers to Stadium Corporation from UCFAA	813,277	813,277	-	813,277	813,277	-	-	-	3,788,231	(3,788,231)	-	-	-
Interest income	-	19,117	19,117	-	7,500	7,500	11,617	154.89 %	-	102,988	102,988	(83,871)	(81.44)%
Interest (expense)	(68,112)	(326,507)	(394,618)	(68,000)	(350,000)	(418,000)	23,382	5.59 %	(54,545)	(378,881)	(433,426)	38,808	8.95 %
<b>Total nonoperating expenses</b>	<b>745,165</b>	<b>505,888</b>	<b>(375,501)</b>	<b>745,277</b>	<b>470,777</b>	<b>(410,500)</b>	<b>34,999</b>	<b>8.53 %</b>	<b>3,733,686</b>	<b>(4,064,124)</b>	<b>(330,438)</b>	<b>(45,063)</b>	<b>(13.64)%</b>
<b>Net increase (decrease) from operations</b>	<b>\$ 6,281,530</b>	<b>\$ 3,422,620</b>	<b>\$ 8,077,596</b>	<b>\$ 6,175,664</b>	<b>\$ 3,394,844</b>	<b>\$ 7,943,954</b>	<b>\$ 133,642</b>		<b>\$ 9,544,021</b>	<b>\$ (1,374,744)</b>	<b>\$ 8,169,277</b>	<b>\$ (91,681)</b>	
<b>Debt service:</b>													
Principal	\$ 26,456	\$ -	\$ 26,456	\$ 26,000	\$ -	\$ 26,000	\$ (456)	0.00 %	\$ 3,063,981	\$ 550,000	\$ 3,613,981	\$ 3,587,525	99.27 %
Interest	68,112	326,507	394,619	68,000	350,000	418,000	23,381	(5.59)%	54,545	378,881	433,426	38,807	8.95 %
<b>Total Debt Service</b>	<b>\$ 94,568</b>	<b>\$ 326,507</b>	<b>\$ 421,074</b>	<b>\$ 94,000</b>	<b>\$ 350,000</b>	<b>\$ 444,000</b>	<b>\$ 22,926</b>	<b>(5.59)%</b>	<b>\$ 3,118,526</b>	<b>\$ 928,881</b>	<b>\$ 4,047,407</b>	<b>\$ 3,626,333</b>	<b>108.22 %</b>

Attachment B  
**UCF Convocation Corporation**  
**Statement of Operations**  
**For the quarter ended December 31, 2016**

	2016 -17				2015 -16			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Housing Operations								
Revenues								
Apartment rentals	\$ 8,779,415	\$ 8,750,000	\$ 29,415	0.3 %	\$ 8,744,160	\$ 8,750,000	\$ (5,840)	(0.1)%
Parking	518,194	518,194	-	0.0 %	518,194	518,194	-	0.0 %
Other	38,177	3,750	34,427	918.0 %	38,406	22,700	15,706	69.2 %
Total revenues	9,335,786	9,271,944	63,842	0.7 %	9,300,760	9,290,894	9,866	0.1 %
Total expenses	3,223,311	3,537,657	314,346	8.9 %	3,479,519	3,776,135	296,616	7.9 %
Net increase from housing operations	6,112,475	5,734,287	378,188	6.6 %	5,821,241	5,514,759	306,482	5.6 %
Retail Operations								
Total revenues	956,952	962,171	(5,219)	(0.5)%	932,782	915,722	17,060	1.9 %
Total expenses	242,707	307,367	64,660	21.0 %	271,852	305,695	33,843	11.1 %
Net increase from retail operations	714,246	654,804	59,442	9.1 %	660,930	610,027	50,903	8.3 %
Arena Operations								
Revenues								
Event related	2,754,180	3,224,131	(469,951)	(14.6)%	2,322,139	2,531,963	(209,824)	(8.3)%
Premium seating and sponsorship	902,106	1,010,000	(107,894)	(10.7)%	943,622	925,464	18,158	2.0 %
Rental Income	2,467,500	2,467,500	-	0.0 %	2,467,500	2,467,500	-	0.0 %
Other	96,891	97,439	(548)	(0.6)%	159,661	105,568	54,093	51.2 %
Total revenues	6,220,677	6,799,070	(578,392)	(8.5)%	5,892,922	6,030,495	(137,573)	(2.3)%
Expenses								
Direct event	2,187,744	2,573,645	385,901	15.0 %	1,842,791	2,012,864	170,073	8.4 %
Operating and indirect event	1,817,846	1,923,057	105,211	5.5 %	1,894,507	1,955,576	61,069	3.1 %
Direct premium seating	141,680	151,680	10,000	6.6 %	128,126	124,144	(3,982)	(3.2)%
Other <sup>2</sup>	-	-	-	-	1,620,948	1,150,000	(470,948)	(41.0)%
Total expenses	4,147,270	4,648,382	501,112	10.8 %	5,486,372	5,242,584	(243,788)	(4.7)%
Net increase (decrease) from arena operations	2,073,407	2,150,688	(77,280)	(3.6)%	406,550	787,911	(381,361)	(48.4)%
Net increase from total operations	\$ 8,900,128	\$ 8,539,779	\$ 360,349	4.2 %	\$ 6,888,721	\$ 6,912,697	\$ (23,976)	(0.3)%
Debt Service								
Principal	\$ 7,045,000				\$ 13,305,000			
Interest	1,801,621				2,025,234			
Total Debt Service <sup>1</sup>	\$ 8,846,621				\$ 15,330,234			

[1] Principal payments in 2015-16 include additional principal prepayments made at the time of the Arena debt refunding.

[2] Other expenses for the Arena primarily consist of cost of issuance fees related to the Arena debt refunding and transfers to the university for the plaza enhancement project and Arena HVAC system replacement.

Attachment C  
**UCF Foundation**  
**Unrestricted Operations**  
**For the quarter ended December 31, 2016**

	2016 - 17				2015 - 16			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
<b>Unrestricted revenues</b>								
University and other related support	\$ 7,150,139	\$ 7,027,240	\$ 122,899	1.7 %	\$ 5,354,333	\$ 5,321,000	\$ 33,333	0.6%
Gifts, fees, and investment earnings	2,649,723	2,405,653	244,070	10.1 %	2,337,590	2,349,167	(11,577)	(0.5)%
Real estate operations	1,191,115	1,089,000	102,115	9.4 %	690,065	690,500	(435)	(0.1)%
<b>Total unrestricted revenue</b>	<u>10,990,977</u>	<u>10,521,893</u>	<u>469,084</u>	<u>4.5 %</u>	<u>8,381,988</u>	<u>8,360,667</u>	<u>21,321</u>	<u>0.3%</u>
<b>Unrestricted expenses</b>								
Academic and university support	2,104,058	1,859,701	(244,357)	(13.1)%	1,935,175	1,934,331	(844)	0.0%
Development, alumni relations, and operations	9,507,440	10,049,143	541,703	5.4 %	7,297,458	7,341,000	43,542	0.6%
<b>Total unrestricted expenses</b>	<u>11,611,498</u>	<u>11,908,844</u>	<u>297,346</u>	<u>2.5 %</u>	<u>9,232,633</u>	<u>9,275,331</u>	<u>42,698</u>	<u>0.5%</u>
<b>Net increase (decrease) from unrestricted operations</b>	<u>\$ (620,521)</u>	<u>\$ (1,386,951)</u>	<u>\$ 766,430</u>	<u>55.3 %</u>	<u>\$ (850,645)</u>	<u>\$ (914,664)</u>	<u>\$ 64,019</u>	<u>7.0%</u>
<b>Debt Service</b>								
Principal	\$ 1,160,000				\$ 1,327,963			
Interest	588,322				663,585			
<b>Total Debt Service</b>	<u>\$ 1,748,322</u>				<u>\$ 1,991,548</u>			



Attachment D  
**UCF Finance Corporation**  
**Statement of Operations**  
**For the quarter ended December 31, 2016**

	2016-17				2015-16			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
<b>Revenues</b>								
University transfers	\$ 1,321,878	\$ 1,313,039	\$ 8,839	0.7 %	\$ 1,223,456	\$ 1,352,614	\$ (129,158)	(9.5)%
Interest	3,293	-	3,293	100.0 %	108,092	-	108,092	100.0 %
<b>Total revenues</b>	<u>1,325,171</u>	<u>1,313,039</u>	<u>12,132</u>	<u>0.9 %</u>	<u>1,331,548</u>	<u>1,352,614</u>	<u>(21,066)</u>	<u>(1.6)%</u>
<b>Expenses</b>								
Operating	17,092	15,300	(1,792)	(11.7)%	18,458	14,800	(3,658)	(24.7)%
Interest	1,167,726	1,144,406	(23,320)	(2.0)%	1,179,898	1,192,814	12,916	1.1 %
Debt related	140,353	153,333	12,980	8.5 %	133,192	145,000	11,808	8.1 %
<b>Total expenses</b>	<u>1,325,171</u>	<u>1,313,039</u>	<u>(12,132)</u>	<u>(0.9)%</u>	<u>1,331,548</u>	<u>1,352,614</u>	<u>21,066</u>	<u>1.6 %</u>
<b>Net change from operations</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>Debt Service</b>								
Principal	\$ 1,415,000				\$ 1,355,000			
Interest	1,167,726				1,179,899			
<b>Total Debt Service</b>	<u>\$ 2,005,381</u>				<u>\$ 2,534,899</u>			

Attachment E  
**UCF Research Foundation**  
**Statement of Operations**  
**For the quarter ended December 31, 2016**

	2016-17				2015-16			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
<b>Revenues</b>								
Operating revenue <sup>1</sup>	\$ 4,315,554	\$ 3,490,000	\$ 825,554	23.7 %	\$ 4,447,708	\$ 3,769,167	\$ 678,542	18.0 %
Management fees and other	352,248	270,000	82,248	30.5 %	135,094	135,000	94	0.1 %
<b>Total revenues</b>	<u>4,667,802</u>	<u>3,760,000</u>	<u>907,802</u>	<u>24.1 %</u>	<u>4,582,802</u>	<u>3,904,167</u>	<u>50,094</u>	<u>2.5 %</u>
<b>Expenses</b>								
<b>Total operating expenses</b>	<u>4,605,612</u>	<u>3,693,867</u>	<u>(911,745)</u>	<u>(24.7)%</u>	<u>4,166,336</u>	<u>3,725,413</u>	<u>(440,924)</u>	<u>(11.8)%</u>
<b>Net increase from operations</b>	<u>\$ 62,190</u>	<u>\$ 66,133</u>	<u>\$ (3,943)</u>	<u>(6.0)%</u>	<u>\$ 416,466</u>	<u>\$ 178,754</u>	<u>\$ 237,712</u>	<u>133.0 %</u>

<sup>1</sup> Operating includes royalties, contributions, rents, conferences, unit residuals, and consortiums.

**ITEM: INFO-2**

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

**SUBJECT:** University and DSO Debt Report

**DATE:** April 19, 2017

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For information only.

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**Supporting documentation:** Attachment A: University and DSO Debt Report

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

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

Attachment A

# University and DSO Debt

## By Entity

As of December 31, 2016

	Fixed	Debt Outstanding Variable	Total	Debt Service 2017	Sources of Payment
University					
Health Center - revenue bonds	\$ 4,020,000	\$ -	\$ 4,020,000	\$ 615,953	Health fees
Parking - revenue bonds	30,620,000	-	30,620,000	4,567,658	Transportation access fees, decals, fines
Housing - revenue bonds	92,215,000	-	92,215,000	8,789,511	Room rents
Total University	126,855,000	-	126,855,000	13,973,122	
UCF Hospitality School Student Housing Foundation					
Housing - revenue bonds	11,445,000	-	11,445,000	1,540,579	<sup>1</sup> Total project revenues
UCF Convocation Corporation					
Housing and retail revenue COPs	108,600,000	-	108,600,000	8,144,986	Total project revenues
Arena and retail revenue bonds	79,825,000	-	79,825,000	6,014,373	Total project revenues
Total UCF Convocation Corporation	188,425,000	-	188,425,000	14,159,359	
UCF Stadium Corporation					
Stadium revenue bonds	43,790,000	-	43,790,000	3,296,715	Stadium revenues, university resources
Student Leadership Center	3,507,000	-	3,507,000	336,324	Pledged donations
Total UCF Stadium Corporation	47,297,000	-	47,297,000	3,633,039	
UCF Finance Corporation					
Burnett Biomedical Research facility bonds	51,315,000	-	51,315,000	3,737,517	<sup>2</sup> Sponsored programs
UCF Athletics Association					
Due to university (principal only)		6,915,072	6,915,072	500,000	UCFAA and stadium restricted surplus funds
SunTrust	20,481	-	20,481	33,929	UCFAA revenues, pledge payments
Fifth Third lines of credit		8,065,000	8,065,000	250,000	UCFAA revenues and Title IX funds
Total UCF Athletics Association	20,481	14,980,072	15,000,553	783,929	
UCF Foundation					
SunTrust	-	565,000	565,000	575,594	Property rentals, pledge revenues
Benton and Cole Trusts	1,960,883	-	1,960,883	142,500	Property rentals, pledge revenues
BB&T	21,635,000	-	21,635,000	2,742,321	Property rentals
Total UCF Foundation	23,595,883	565,000	24,160,883	3,460,415	
Total University and DSO Debt	<u>\$ 448,953,364</u>	<u>\$ 15,545,072</u>	<u>\$ 464,498,436</u>	<u>\$ 41,287,960</u>	

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

<sup>2</sup> These bonds have a synthetic fixed-rate interest swap.

## Lines of Credit

	Maximum Amount	Outstanding	Available
UCF Athletics Association			
Fifth Third lines of credit	8,185,000	8,065,000	120,000

## Variable Rate Debt

	Outstanding	Rate
UCF Athletics Association		
Fifth Third lines of credit	8,065,000	1.93% - 2.88%
University loan	6,915,072	1.41%
UCF Foundation		
SunTrust	565,000	2.65%
Total variable debt outstanding	<u>\$ 15,545,072</u>	

**ITEM: INFO-3**

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

**SUBJECT:** University Final Audited Financial Report 2015-16

**DATE:** April 19, 2017

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For information only.

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**Supporting documentation:** Attachment A: University Audited Financial Report

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

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

Report No. 2017-110  
February 2017

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

## UNIVERSITY OF CENTRAL FLORIDA

For the Fiscal Year Ended  
June 30, 2016



Sherrill F. Norman, CPA  
Auditor General

### Board of Trustees and President

During the 2015-16 fiscal year, Dr. John C. Hitt served as President of the University of Central Florida and the following individuals served as Members of the Board of Trustees:

Marcos R. Marchena, Chair from 7-23-15	Richard T. Crotty to 7-30-15
Robert A. Garvy, Vice Chair from 7-23-15	Alan S. Florez to 2-7-16
Olga M. Calvet to 2-7-16, Chair to 7-22-15	Ray Gilley
John R. Sprouls, Vice Chair to 7-22-15	Dr. Keith Koons <sup>b</sup>
James Atchison to 7-30-15	Alex Martins
Kenneth Bradley from 2-8-16	Beverly J. Seay
Clarence H. Brown III, M.D.	David Walsh from 2-8-16
Chris Clemente <sup>a</sup> from 5-4-16	William E. Yeargin from 7-31-15
Joseph D. Conte from 7-31-15	Cait Zona <sup>a</sup> to 5-3-16

<sup>a</sup> Student Body President.

<sup>b</sup> Faculty Senate Chair.

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

The team leader was Patricia A. Tindel, CPA, and the supervisor was Brenda C. Racis, CPA.

Please address inquiries regarding this report to Jaime Hoelscher, CPA, Audit Supervisor, by e-mail at [jaimehoelscher@aud.state.fl.us](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

This report and other reports prepared by the Auditor General are available at:

[www.myflorida.com/audgen](http://www.myflorida.com/audgen)

Printed copies of our reports may be requested by contacting us at:

**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722**

# UNIVERSITY OF CENTRAL FLORIDA

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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the University of Central Florida (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

### AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the University of 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, 2016. 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. 2017-057.

### AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722  
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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the University of 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the blended component units represent 0.5 percent, 13.1 percent, and 0.3 percent, respectively, of the assets, liabilities, and net position, 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 discretely presented component units' columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Central Florida and of its aggregate discretely presented component units as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2017, 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 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 the 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* in considering the University of Central Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 30, 2017

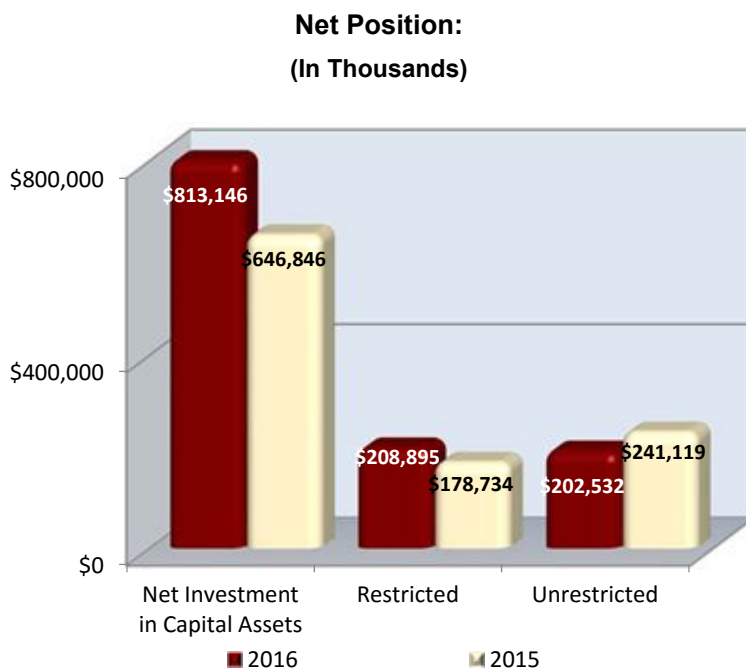
## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2016, and June 30, 2015.

### **FINANCIAL HIGHLIGHTS**

The University's assets totaled \$1.7 billion at June 30, 2016. This balance reflects a \$186.2 million, or 12 percent, increase as compared to June 30, 2015, resulting primarily from the transfer of capital assets from two component units described below. Deferred outflows of resources at June 30, 2016 totaled \$75.7 million, an increase from the prior year of \$22 million. Liabilities increased by \$83.2 million, or 18 percent, totaling \$544.1 million at June 30, 2016, compared to \$460.9 million at June 30, 2015. Deferred inflows of resources at June 30, 2016 totaled \$18.2 million, a decrease of \$32.9 million. As a result, the University's net position increased by \$157.9 million, resulting in a year-end balance of \$1.2 billion.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2016, and June 30, 2015, is shown in the following graph:

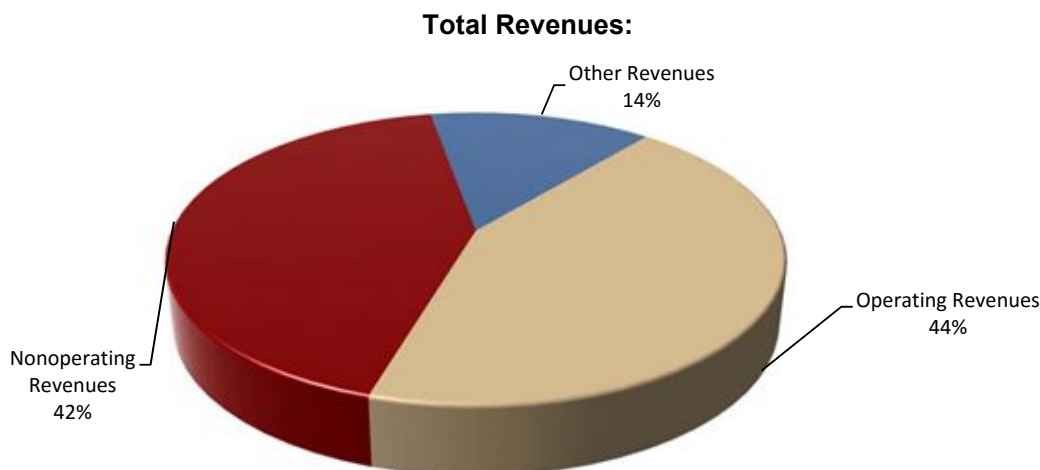


The University's operating revenues totaled \$492.8 million for the 2015-16 fiscal year, representing a 2 percent increase compared to the 2014-15 fiscal year. Operating expenses totaled \$937.3 million for

the 2015-16 fiscal year, representing an increase in compensation and employee benefits. Net operating revenue was \$444.5 million, an increase of 9 percent from prior year.

Other revenues of \$157.9 million includes a \$128.7 million transfer of capital assets from two component units. In the 2015-16 fiscal year, the defeasance of certain UCF Convocation Corporation and UCF Stadium Corporation's Certificates of Participation terminated ground leases with the University and all improvements on the leased land transferred ownership to the University. The transfer of capital assets included the football stadium, convocation center and related retail, and parking facilities. The assets were recognized by the University at carrying value as a capital transfer to the University.

The following chart provides a graphical presentation of University revenues by category for the 2015-16 fiscal year:



#### OVERVIEW OF FINANCIAL STATEMENTS

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

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

- o Central Florida Clinical Practice Organization, Inc.

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

### **The Statement of Net Position**

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

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

#### **Condensed Statement of Net Position at June 30**

(In Thousands)

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Current Assets	\$ 565,179	\$ 565,221
Capital Assets, Net	994,928	837,341
Other Noncurrent Assets	151,147	122,492
<b>Total Assets</b>	<b>1,711,254</b>	<b>1,525,054</b>
<b>Deferred Outflows of Resources</b>	<b>75,681</b>	<b>53,696</b>
<b>Liabilities</b>		
Current Liabilities	99,076	81,829
Noncurrent Liabilities	445,039	379,100
<b>Total Liabilities</b>	<b>544,115</b>	<b>460,929</b>
<b>Deferred Inflows of Resources</b>	<b>18,247</b>	<b>51,122</b>
<b>Net Position</b>		
Net Investment in Capital Assets	813,146	646,846
Restricted	208,895	178,734
Unrestricted	202,532	241,119
<b>Total Net Position</b>	<b>\$ 1,224,573</b>	<b>\$ 1,066,699</b>

Total assets as of June 30, 2016, increased by \$186.2 million or 12 percent. This increase is primarily due to the transfer of capital assets previously discussed. Deferred outflows of resources increased by \$22 million, or 41 percent, due to an increase in the effect of deferring accumulated decreases in the fair value of a hedging derivative for an interest rate swap and an increase in pension-related deferred

outflows for changes in the University's proportionate share of the FRS net pension liabilities and differences between actuals and expected experience for the plan. Total liabilities as of June 30, 2016, increased by \$83.2 million, or 18 percent, and was primarily due to increases in liabilities recorded for the University's proportionate share of the FRS net pension liabilities, increases in other postemployment benefit payables, and payables associated with funds held for component units. Deferred inflows of resources decreased by \$32.9 million, or 64 percent, primarily due to reductions in deferred gains associated with the differences between actual and projected earnings on FRS pension plan investments.

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

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

The following summarizes the University's activity for the 2015-16 and 2014-15 fiscal years:

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

(In Thousands)

	<b>2015-16</b>	<b>2014-15</b>
Operating Revenues	\$ 492,824	\$ 481,124
Less, Operating Expenses	937,279	880,219
<b>Operating Loss</b>	(444,455)	(399,095)
Net Nonoperating Revenues	444,468	409,399
<b>Income Before Other Revenues</b>	13	10,304
Other Revenues	157,861	20,348
<b>Net Increase In Net Position</b>	157,874	30,652
Net Position, Beginning of Year	1,066,699	1,122,161
Adjustment to Beginning Net Position (1)	-	(86,114)
<b>Net Position, Beginning of Year, as Restated</b>	1,066,699	1,036,047
<b>Net Position, End of Year</b>	<u>\$ 1,224,573</u>	<u>\$ 1,066,699</u>

Note: (1) For the 2014-15 fiscal year, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 68.

### **Operating Revenues**

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2015-16 and 2014-15 fiscal years:



### Operating Revenues For the Fiscal Years

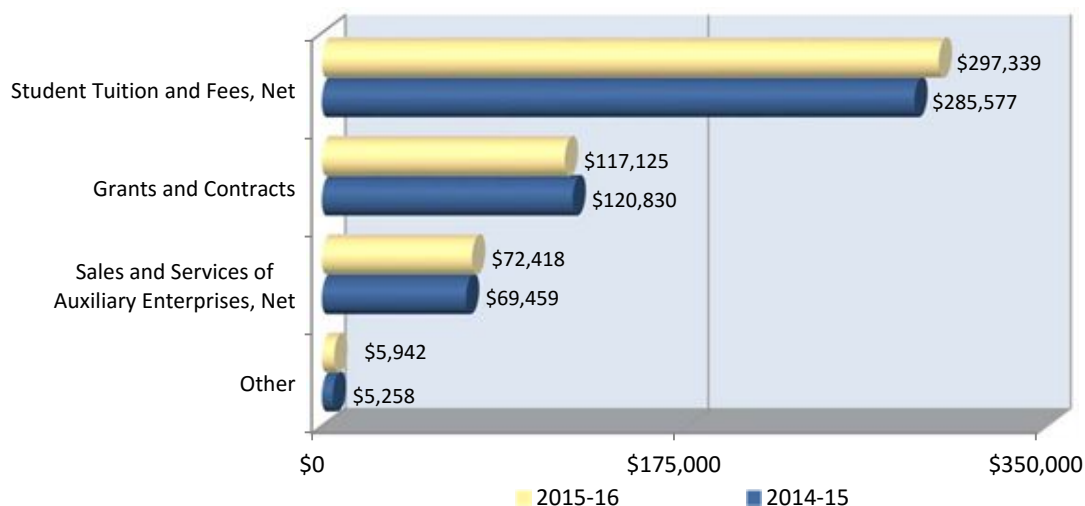
(In Thousands)

	2015-16	2014-15
Student Tuition and Fees, Net	\$ 297,339	\$ 285,577
Grants and Contracts	117,125	120,830
Sales and Services of Auxiliary Enterprises, Net	72,418	69,459
Other	5,942	5,258
<b>Total Operating Revenues</b>	<b>\$ 492,824</b>	<b>\$ 481,124</b>

The following chart presents the University's operating revenues for the 2015-16 and 2014-15 fiscal years:

### Operating Revenues

(In Thousands)



Total operating revenues increased by \$11.7 million, or 2 percent. Net student tuition and fees increased by \$11.8 million, or 4 percent and was primarily due to an increase in student credit hours and non-resident fees.

### Operating Expenses

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

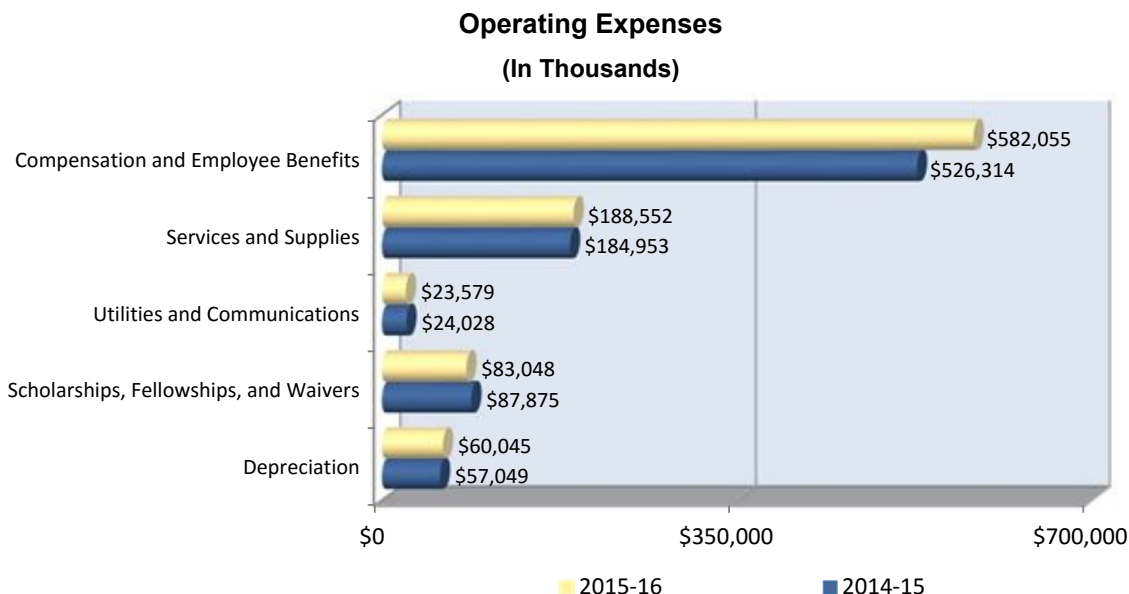
The following summarizes operating expenses by natural classification for the 2015-16 and 2014-15 fiscal years:

### Operating Expenses For the Fiscal Years

(In Thousands)

	2015-16	2014-15
Compensation and Employee Benefits	\$ 582,055	\$ 526,314
Services and Supplies	188,552	184,953
Utilities and Communications	23,579	24,028
Scholarships, Fellowships, and Waivers	83,048	87,875
Depreciation	60,045	57,049
<b>Total Operating Expenses</b>	<b>\$ 937,279</b>	<b>\$ 880,219</b>

The following chart presents the University's operating expenses for the 2015-16 and 2014-15 fiscal years:



Operating expenses totaled \$937.3 million for the 2015-16 fiscal year. This represents a \$57.1 million or 6 percent increase over the 2014-15 fiscal year. The increase in compensation and employee benefits of \$55.7 million, or 11 percent, was primarily due to an increase in salaries of \$37.6 million, resulting from a faculty hiring plan, pay raises and increased benefit costs, and associated retirement and healthcare expenses of \$9.6 million. In addition, expenses associated with actuarially determined other postemployment benefit liabilities increased \$7.9 million.

### Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2015-16 and 2014-15 fiscal years:

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

(In Thousands)

	<u>2015-16</u>	<u>2014-15</u>
State Noncapital Appropriations	\$ 314,820	\$ 301,945
Federal and State Student Financial Aid	139,245	135,263
Investment Income	14,379	8,402
Other Nonoperating Revenues	12,728	9,042
Loss on Disposal of Capital Assets	(590)	(926)
Interest on Capital Asset-Related Debt	(8,385)	(8,744)
Other Nonoperating Expenses	<u>(27,729)</u>	<u>(35,583)</u>
<b>Net Nonoperating Revenues</b>	<u><u>\$ 444,468</u></u>	<u><u>\$ 409,399</u></u>

Net nonoperating revenues increased by \$35.1 million, or 9 percent, primarily due to an increase in State noncapital appropriations of \$12.9 million as a result of \$14.7 million in additional performance-based funding. Investment income increased by \$6 million primarily due to an increase in unrealized gains. Other nonoperating expenses decreased by \$7.9 million due to reduced contributions in the 2015-16 fiscal year to support the start-up of the Florida Advanced Manufacturing Research Center located in Osceola County.

**Other Revenues**

This category is composed of State capital appropriations and capital transfers, grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2015-16 and 2014-15 fiscal years:

**Other Revenues  
For the Fiscal Years**

(In Thousands)

	<u>2015-16</u>	<u>2014-15</u>
State Capital Appropriations	\$ 28,442	\$ 19,967
Capital Transfers In	128,699	-
Capital Grants, Contracts, Donations, and Fees	<u>720</u>	<u>381</u>
<b>Total</b>	<u><u>\$ 157,861</u></u>	<u><u>\$ 20,348</u></u>

Other revenues were \$157.9 million for the 2015-16 fiscal year. This represents a \$137.5 million increase compared to the 2014-15 fiscal year due primarily to the transfer of the convocation center and stadium assets from the UCF Convocation Corporation and the UCF Stadium Corporation to the University as previously discussed.

**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 2015-16 and 2014-15 fiscal years:

**Condensed Statement of Cash Flows**  
**For the Fiscal Years**  
**(In Thousands)**

	<u>2015-16</u>	<u>2014-15</u>
Cash Provided (Used) by:		
Operating Activities	\$ (366,605)	\$ (336,529)
Noncapital Financing Activities	452,563	418,865
Capital and Related Financing Activities	(84,167)	(62,529)
Investing Activities	<u>(3,263)</u>	<u>(24,941)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,472)</b>	<b>(5,134)</b>
Cash and Cash Equivalents, Beginning of Year	<u>49,790</u>	<u>54,924</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 48,318</u></b>	<b><u>\$ 49,790</u></b>

Cash and cash equivalents decreased \$1.5 million. Cash used by operating activities increased by \$30.1 million compared to fiscal year 2014-15 due primarily to a \$44.1 million increase in cash payments to employees for compensation and offset by a \$14.2 million increase in cash received from tuition and fees. Cash inflows from noncapital financing activities increased by \$33.7 million primarily due to a \$12.9 million increase in cash received from State appropriations and a \$12.6 million increase in funds held for others. Cash used by capital and related financing activities increased by \$21.6 million primarily due to the purchase or construction of capital assets. Cash used by investing activities decreased by \$21.7 million primarily due to an increase in the sale of investments.

Major sources of funds came from State noncapital appropriations (\$314.8 million), student tuition and fees, net (\$295.1 million), Federal and State student financial aid (\$139 million), and grants and contracts (\$110.2 million). Major uses of funds were for payments made to and on behalf of employees (\$556.3 million), payments to suppliers for goods and services (\$210.2 million), payments related to the purchase or construction of capital assets (\$87.8 million), and payments to students for scholarships and fellowships (\$83 million).

<b>CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION</b>
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### **Capital Assets**

At June 30, 2016, the University had \$1.7 billion in capital assets, less accumulated depreciation of \$731.5 million, for net capital assets of \$994.9 million. Depreciation charges for the current fiscal year totaled \$60 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30  
For the Fiscal Years**

(In Thousands)

	<u>2016</u>	<u>2015</u>
Land	\$ 28,133	\$ 24,822
Construction in Progress	37,684	16,805
Buildings	832,494	704,446
Infrastructure and Other Improvements	29,839	30,094
Furniture and Equipment	40,694	38,218
Library Resources	22,701	19,477
Leasehold Improvements	2,567	2,569
Works of Art and Historical Treasures	816	910
<b>Capital Assets, Net</b>	<u><u>\$994,928</u></u>	<u><u>\$837,341</u></u>

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

**Capital Expenses and Commitments**

Major capital expenses through June 30, 2016, were incurred on the following projects completed during the 2015-16 fiscal year: Global Achievement Building and Bennett Building Renovations and the following projects currently in progress: Interdisciplinary Research & Incubator Facility Phase 1, Parking Garage C expansion, and the Mathematical Sciences Building Renovation. The University's major construction commitments at June 30, 2016, are as follows:

	<u>Amount (In Thousands)</u>
Total Committed	\$ 79,446
Completed to Date	<u>(37,684)</u>
<b>Balance Committed</b>	<u><u>\$ 41,762</u></u>

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

**Debt Administration**

As of June 30, 2016, the University had \$186.7 million in outstanding capital improvement debt payable and bonds payable, representing a decrease of \$9.9 million, or 5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

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

	<b>2016</b>	<b>2015</b>
Capital Improvement Debt	\$ 133,954	\$ 142,478
Bonds Payable	52,730	54,085
<b>Total</b>	<b>\$ 186,684</b>	<b>\$ 196,563</b>

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

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University's economic condition is closely tied to that of the State of Florida. Economic recovery and increased demand for State resources will continue to influence appropriations to higher education. The University manages these influences through the continual efficient and strategic use of resources and entrepreneurial efforts by academic, administrative, and auxiliary departments. The budget adopted by the Florida Legislature for the 2016-17 fiscal year provided a 4 percent increase to state universities, including \$75 million in new recurring performance-based funding.

The Florida Legislature also provided \$30 million in new funding for institutions that meet emerging pre-eminence and pre-eminence metrics aimed to advance the State's national reputation for higher education. The University of Central Florida is one of two institutions that qualified for emerging pre-eminence status and received \$5 million of this funding, which will be invested in initiatives to enhance the University's reputation as a global research institution and advance toward pre-eminence status.

In addition to State funding, the University relies on other revenue streams to maintain the open access to and high quality of its academic programs. For the 2015-16 fiscal year, gross tuition and fee revenue increased by 5 percent in part due to an increase in non-resident enrollment. Overall, enrollment increased 3.6 percent with a student count of approximately 63,016. The University continues to invest in recruitment, retention, and academic advising initiatives to manage enrollment and support students' success.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Tracy Clark, CPA, Associate Provost for Budget, Planning and Administration and Associate Vice President for Finance, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

## ***BASIC FINANCIAL STATEMENTS***

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

**June 30, 2016**

	<b>University</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 30,462,997	\$ 16,432,776
Restricted Cash and Cash Equivalents	4,101,306	21,524,829
Investments	405,697,300	-
Accounts Receivable, Net	61,031,777	15,904,722
Loans and Notes Receivable, Net	1,165,621	-
Due from State	54,869,166	-
Due from Component Units	1,296,395	732,865
Due from University	-	14,905,609
Inventories	2,585,557	35,643
Other Current Assets	3,968,901	807,622
<b>Total Current Assets</b>	<b>565,179,020</b>	<b>70,344,066</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	13,753,804	2,731,394
Restricted Investments	123,871,662	184,414,645
Loans and Notes Receivable, Net	5,649,396	13,315,544
Depreciable Capital Assets, Net	928,893,318	120,691,340
Nondepreciable Capital Assets	66,035,062	54,994,116
Due from Component Units	6,614,649	-
Other Noncurrent Assets	1,257,261	1,328,053
<b>Total Noncurrent Assets</b>	<b>1,146,075,152</b>	<b>377,475,092</b>
<b>Total Assets</b>	<b>1,711,254,172</b>	<b>447,819,158</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	57,578,139	-
Accumulated Decrease in Fair Value of Hedging Derivatives	18,102,762	-
Deferred Loss on Debt Refunding	-	729,631
<b>Total Deferred Outflows of Resources</b>	<b>75,680,901</b>	<b>729,631</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	16,798,422	7,336,577
Construction Contracts Payable	7,583,170	-
Salaries and Wages Payable	19,943,742	-
Deposits Payable	11,304,742	-
Due to Component Units	14,905,609	732,865
Due to University	-	1,296,395
Unearned Revenue	13,153,631	12,329,742
Other Current Liabilities	345,716	1,801,621
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	8,155,000	-
Bonds Payable	1,415,000	4,674,000
Loans and Notes Payable	-	2,531,094
Certificates of Participation Payable	-	4,045,000
Compensated Absences Payable	3,643,342	81,403
Net Pension Liability	1,828,046	-
<b>Total Current Liabilities</b>	<b>99,076,420</b>	<b>34,828,697</b>

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

**June 30, 2016**

	<u>University</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	125,798,938	-
Bonds Payable	51,315,000	128,802,617
Loans and Notes Payable	-	29,572,947
Certificates of Participation Payable	-	108,600,000
Compensated Absences Payable	48,404,404	405,403
Other Postemployment Benefits Payable	79,335,000	-
Net Pension Liability	115,580,888	-
Unearned Revenues	-	1,939,374
Due to University	-	6,614,649
Interest Rate Swap	18,102,762	-
Other Noncurrent Liabilities	6,502,495	39,000
<b>Total Noncurrent Liabilities</b>	<u>445,039,487</u>	<u>275,973,990</u>
<b>Total Liabilities</b>	<u>544,115,907</u>	<u>310,802,687</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	18,246,594	-
Deferred Gain on Debt Refunding	-	194,677
<b>Total Deferred Inflows of Resources</b>	<u>18,246,594</u>	<u>194,677</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	813,145,640	(99,493,144)
Restricted for Nonexpendable:		
Endowment	-	126,195,611
Restricted for Expendable:		
Debt Service	1,428,058	-
Loans	3,862,392	-
Capital Projects	180,230,865	407,700
Other	23,373,973	86,807,633
Unrestricted	202,531,644	23,633,625
<b>TOTAL NET POSITION</b>	<u>\$ 1,224,572,572</u>	<u>\$ 137,551,425</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 Position**  
**For the Fiscal Year Ended June 30, 2016**

	<u>University</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$113,674,151 (Pledged for Capital Improvement Debt: \$16,992,114 for Student Health and \$14,264,670 for Parking)	\$ 297,339,405	\$ -
Federal Grants and Contracts	91,346,164	-
State and Local Grants and Contracts	7,566,906	-
Nongovernmental Grants and Contracts	18,212,032	-
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: \$29,758,635 for Housing and \$6,152,174 for Parking)	72,417,645	-
Gifts and Donations	-	29,690,426
Interest on Loans and Notes Receivable	94,750	-
Other Operating Revenues: (Pledged for Capital Improvement Debt: \$447,691 for Housing and \$1,092,190 for Parking)	-	-
	<u>5,846,957</u>	<u>103,188,737</u>
<b>Total Operating Revenues</b>	<u>492,823,859</u>	<u>132,879,163</u>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	582,054,745	18,970,329
Services and Supplies	188,552,534	100,097,855
Utilities and Communications	23,578,918	-
Scholarships and Fellowships	83,048,276	-
Depreciation	60,044,633	7,181,781
	<u>937,279,106</u>	<u>126,249,965</u>
<b>Total Operating Expenses</b>	<u>937,279,106</u>	<u>126,249,965</u>
<b>Operating Income (Loss)</b>	<u>(444,455,247)</u>	<u>6,629,198</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	314,820,353	-
Federal and State Student Financial Aid	139,245,512	-
Investment Income	14,378,615	452,974
Other Nonoperating Revenues	12,727,825	16,114,579
Loss on Disposal of Capital Assets	(589,965)	(85,885)
Interest on Capital Asset-Related Debt	(8,384,696)	(10,615,470)
Other Nonoperating Expenses	(27,729,363)	(4,332,127)
	<u>444,468,281</u>	<u>1,534,071</u>
<b>Net Nonoperating Revenues</b>	<u>444,468,281</u>	<u>1,534,071</u>
<b>Income Before Other Revenues or Expenses</b>	<u>13,034</u>	<u>8,163,269</u>
State Capital Appropriations	28,442,294	-
Capital Transfers In (Out)	128,699,182	(128,699,182)
Capital Grants, Contracts, Donations, and Fees	719,321	-
Additions to Permanent Endowments	-	3,180,410
	<u>157,873,831</u>	<u>(117,355,503)</u>
<b>Increase (Decrease) in Net Position</b>	<u>157,873,831</u>	<u>(117,355,503)</u>
Net Position, Beginning of Year	1,066,698,741	254,906,928
<b>Net Position, End of Year</b>	<u>\$ 1,224,572,572</u>	<u>\$ 137,551,425</u>

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

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**University of Central Florida  
A Component Unit of the State of Florida  
Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2016**

	<u>University</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 295,104,922
Grants and Contracts	110,158,043
Sales and Services of Auxiliary Enterprises, Net	72,015,308
Interest on Loans and Notes Receivable	92,161
Payments to Employees	(556,320,902)
Payments to Suppliers for Goods and Services	(210,174,278)
Payments to Students for Scholarships and Fellowships	(83,048,276)
Loans Issued to Students	(1,207,873)
Collection on Loans to Students	690,267
Other Operating Receipts	6,085,627
<b>Net Cash Used by Operating Activities</b>	<u>(366,605,001)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	314,820,353
Federal and State Student Financial Aid	139,010,697
Federal Direct Loan Program Receipts	254,334,825
Federal Direct Loan Program Disbursements	(254,334,825)
Net Change in Funds Held for Others	11,646,524
Other Nonoperating Disbursements	(12,914,099)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>452,563,475</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	20,038,607
Capital Grants, Contracts, Donations and Fees	467,542
Other Receipts for Capital Projects	1,533,171
Purchase or Construction of Capital Assets	(87,815,096)
Principal Paid on Capital Debt and Leases	(9,822,765)
Interest Paid on Capital Debt and Leases	(8,569,072)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(84,167,613)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	740,493,339
Purchases of Investments	(753,114,701)
Investment Income	9,358,577
<b>Net Cash Used by Investing Activities</b>	<u>(3,262,785)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(1,471,924)
Cash and Cash Equivalents, Beginning of Year	49,790,031
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 48,318,107</u></u>

**University of Central Florida  
A Component Unit of the State of Florida  
Statement of Cash Flows (Continued)**

**For the Fiscal Year Ended June 30, 2016**

	<u>University</u>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (444,455,247)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	60,044,633
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Receivables, Net	(7,744,162)
Inventories	(139,351)
Other Assets	2,047,873
Accounts Payable	(930)
Salaries and Wages Payable	4,102,839
Deposits Payable	59,571
Compensated Absences Payable	4,381,206
Unearned Revenue	(2,151,230)
Other Postemployment Benefits Payable	19,533,000
Net Pension Liability	47,582,400
Deferred Outflows of Resources Related to Pensions	(16,989,836)
Deferred Inflows of Resources Related to Pensions	(32,875,767)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (366,605,001)</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND</b>	
<b>CAPITAL FINANCING ACTIVITIES</b>	
Unrealized gains on investments were recognized as an increase to investment	
income on the statement of revenues, expenses, and changes in net position, but	
are not cash transactions for the statement of cash flows.	\$ 4,690,055
Losses from the disposal of capital assets were recognized on the statement of	
revenues, expenses, and changes in net position, but are not cash transactions	
for the statement of cash flows.	\$ (589,965)
Capital transfers from component units were recognized on the statement of	
revenues, expenses, and changes in net position, but are not cash transactions	
for the statement of cash flows.	\$ 128,699,182

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

## **NOTES TO FINANCIAL STATEMENTS**

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### **1. Summary of Significant Accounting Policies**

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

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

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

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

property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- University of Central Florida Foundation, Inc. is a not-for-profit Florida corporation whose principal function is to provide charitable and educational aid to the University.
- University of Central Florida Research Foundation, Inc. was organized to promote and encourage, as well as assist in, the research activities of the University's faculty, staff, and students.
- UCF Athletics Association, Inc. was organized to promote intercollegiate athletics to benefit the University and surrounding communities.
- UCF Convocation Corporation was created to finance and construct a convocation center, and to manage the Towers student housing and its related retail space on the north side of campus.
- UCF Stadium Corporation was created to finance, build, and administer an on-campus football stadium.
- Central Florida Clinical Practice Organization, Inc. is an affiliated organization component unit of the University and was formed for the purpose of supporting the medical education program and clinical faculty within the College of Medicine.

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

**Basis of Presentation.** The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

**Measurement Focus and Basis of Accounting.** Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Specifically, it relates

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the 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.** Cash and cash equivalents consist of cash on hand and cash in demand accounts, money market funds, and investments with original maturities of three months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. The University also holds \$36,960,969 in money market funds and short-term investments.

The money market funds and investments are permissible under the current investment policy; the primary portion of these investments are held in Rule 2a-7 mutual funds and securities rated AAA (or its equivalent) by a nationally recognized statistical rating organization. The Corporation, a blended component unit, holds \$3,937,333 in money market funds. The money market funds are uninsured, but collateralized by securities held by the financial institutions, not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

<u>Component Unit</u>	<u>Cash in Bank</u>	<u>Money Market Funds</u>	<u>Total</u>
University of Central Florida Foundation, Inc.	\$ 12,623,126	\$ 5,168,072	\$ 17,791,198
University of Central Florida Research Foundation, Inc.	411,541	-	411,541
UCF Athletics Association, Inc.	1,168,535	-	1,168,535
UCF Convocation Corporation	1,233,456	16,373,938	17,607,394
UCF Stadium Corporation	-	942,872	942,872
Central Florida Clinical Practice Organization, Inc.	2,767,459	-	2,767,459
<b>Total Component Units</b>	<u>\$ 18,204,117</u>	<u>\$ 22,484,882</u>	<u>\$ 40,688,999</u>

The University holds certain cash balances for various discretely presented component units. Cash amounts held for University of Central Florida Research Foundation, Inc., UCF Convocation Corporation, and UCF Stadium Corporation were \$7,936,623, \$4,465,715, and \$2,184,417, respectively.

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

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest-bearing demand deposits, money market account, 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 2016, approximately \$11,123,126 in cash deposits were not insured by Federal deposit insurance and were not collateralized.
- **University of Central Florida Research Foundation, Inc.** – The Research Foundation maintains a repurchase sweep account with a local bank. The target balance in the main operating account 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, 2016, was \$175,973. This amount is insured by the Federal Deposit Insurance Corporation (FDIC).
- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are insured up to the FDIC limits. As of June 30, 2016, \$1,199,335 of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.



- **Central Florida Clinical Practice Organization, Inc.** – At June 30, 2016, the Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling \$2,580,011 were in excess of the Federal deposit insurance limit as of June 30, 2016.
- **UCF Convocation Corporation** – At June 30, 2016, the Convocation Corporation held \$16,373,938 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the corporation's name.
- **UCF Stadium Corporation** - At June 30, 2016, the Stadium Corporation held \$942,872 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.

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

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

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

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

## 2. Investments

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

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

All of the University's recurring fair value measurements as of June 30, 2016, are valued using quoted market prices (Level 1 inputs), with the exception of corporate, municipal and other bonds, certain federal agency obligations and certificates of deposits which are valued using matrix pricing models which may consider quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices that are observable (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2016, are reported as follows:

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>	<b>Amount</b>			
External Investment Pool:				
State Treasury Special Purpose				
Investment Account	\$ 310,338,461	\$ -	\$ -	\$ 310,338,461
SBA Debt Service Accounts	1,414,586	1,414,586	-	-
Certificates of Deposit	226,273	-	226,273	-
United States Government and				
Federally-Guaranteed Obligations	28,924,957	28,924,957	-	-
Federal Agency Obligations	29,636,660	657,538	28,979,122	-
Bonds and Notes	77,349,120	-	77,349,120	-
Mutual Funds:				
Equities	71,745,876	71,745,876	-	-
Bonds	9,511,628	9,511,628	-	-
<b>Total investments by fair value level</b>	<b>\$ 529,147,561</b>	<b>\$ 112,254,585</b>	<b>\$ 106,554,515</b>	<b>\$ 310,338,461</b>
<b>Investments at amortized cost</b>				
SBA Florida Prime	\$421,401			
<b>Total Investments</b>	<b>\$ 529,568,962</b>			

Investments held by the University's component units at June 30, 2016, are reported as follows:

				Fair Value Measurements Using		
				Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>	<b>University of Central Florida Foundation, Inc.</b>	<b>University of Central Florida Research Foundation, Inc.</b>	<b>Total</b>			
Equity - Domestic	\$ 8,968,893	\$ 462,620	\$ 9,431,513	\$ 9,290,690	\$ 140,823	\$ -
Equity - International	17,072,767	-	17,072,767	17,072,767	-	-
Domestic - Fixed Income	40,249,312	-	40,249,312	40,249,312	-	-
Global All Assets	13,752,077	-	13,752,077	13,752,077	-	-
Real Assets	12,642,876	-	12,642,876	642,876	-	12,000,000
<b>Total investments by fair value level</b>	<b>\$ 92,685,925</b>	<b>\$ 462,620</b>	<b>\$ 93,148,545</b>	<b>\$ 81,007,722</b>	<b>\$ 140,823</b>	<b>\$ 12,000,000</b>
<b>Investments measured at the net asset value (NAV)</b>						
Equity - Domestic	4,077,791	-	4,077,791			
Equity - International	42,108,100	-	42,108,100			
Global All Assets	6,949,472	-	6,949,472			
International Fixed Income	12,526,480	-	12,526,480			
Private Equity Funds	1,534,520	-	1,534,520			
Hedge Funds:						
Credit	1,901,291	-	1,901,291			
Event Driven	9,444,980	-	9,444,980			
Global Macro	4,684,096	-	4,684,096			
Long Short	4,305,522	-	4,305,522			
Long Short Credit	1,909,205	-	1,909,205			
Equity Linked	1,600,240	-	1,600,240			
<b>Total investments measured at NAV</b>	<b>91,041,697</b>	<b>-</b>	<b>91,041,697</b>			
Investments measured using the equity method	-	224,403	224,403			
<b>Total investments</b>	<b>\$ 183,727,622</b>	<b>\$ 687,023</b>	<b>\$ 184,414,645</b>			

All of the University's component units' recurring fair value measurements as of June 30, 2016, are valued using quoted market prices (Level 1 inputs), with the exception of equity investments valued quarterly by respective fund managers (Level 2 inputs) and real assets valued based on an appraisal utilizing recent sale and property comparisons of like assets (Level 3 inputs).

For the University's component units, the valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

Investments measured at the NAV	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity - Domestic	\$ 4,077,791	\$ -	\$ 4,077,791	\$ -		
Equity - International	42,108,100	-	42,108,100	-		
Global All Assets	6,949,472	-	6,949,472	-		
International Fixed Income	12,526,480	-	12,526,480	-		
Private Equity Funds	1,534,520	-	1,534,520	7,516,360		
Hedge Funds:						
Credit	1,901,291	-	1,901,291	-	Quarterly	90 days
Event Driven	9,444,980	-	9,444,980	-	Quarterly	60-90 days
Global Macro	4,684,096	-	4,684,096	-	Monthly	3 days
Long Short	4,305,522	-	4,305,522	-	Quarterly	35-45 days
Long Short Credit	1,909,205	-	1,909,205	-	Quarterly	30 days
Equity Linked	1,600,240	-	1,600,240	-	Quarterly	30 days
<b>Total investments measured at the NAV</b>	<b>\$ 91,041,697</b>	<b>\$ -</b>	<b>\$ 91,041,697</b>	<b>\$ 7,516,360</b>		

### Net Asset Value

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

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

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

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

*Private Equity Funds:* Private equity includes four distinct limited partnerships or limited liability companies with a total of seven investment vehicles. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. Private equity is capital not traded on a public, primary exchange. For the purposes of this portfolio, private equity can include equity rights to private companies, capital lent to companies, or other privately held securities. Private equity commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. In this portfolio, private equity capital is invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

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

*Event Driven Hedge Funds:* The event driven hedge funds class includes investments in hedge funds that invest across the capital structure in equity and debt securities. Managers invest in situations with the expectation that a near term event will act as a catalyst changing the market's perception of a company, thereby increasing or decreasing the value of its equity or debt. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

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

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

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

### **External Investment Pools**

The University reported investments at fair value totaling \$310,338,461 at June 30, 2016, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.61 years and fair value factor of 1.0143 at June 30, 2016. Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2016, the University reported investments totaling \$421,401 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The University's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 39 days as of June 30, 2016. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost. Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

**State Board of Administration Debt Service Accounts**

The University reported investments totaling \$1,414,586 at June 30, 2016, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**Other Investments**

The University and its discretely presented component units invested in various debt and equity securities, mutual funds, and certificates of deposit. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University and its component units in debt securities and bond mutual funds, and their future maturities at June 30, 2016, are as follows:

**University Debt Investments Maturities**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities (In Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>More Than 5</u>
United States Government and Federally-Guaranteed Obligations	\$ 28,924,957	\$ 8,214,858	\$ 16,511,762	\$ 4,198,337
Federal Agency Obligations	29,636,660	3,003,297	6,623,753	20,009,610
Bonds and Notes	77,349,120	6,050,090	54,001,441	17,297,589
Mutual Funds - Bonds	9,511,628	319,737	5,626,712	3,565,179
<b>Totals</b>	<b>\$ 145,422,365</b>	<b>\$ 17,587,982</b>	<b>\$ 82,763,668</b>	<b>\$ 45,070,715</b>

**Component Units' Debt Investments Maturities**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities (In Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>More Than 5</u>
Domestic Fixed Income	\$ 40,249,312	\$ -	\$ 35,545,538	\$ 4,703,774
International Fixed Income	12,526,480	8,202,515	-	4,323,965
Global All Assets	14,063,950	-	7,114,478	6,949,472
<b>Totals</b>	<b>\$ 66,839,742</b>	<b>\$ 8,202,515</b>	<b>\$ 42,660,016</b>	<b>\$ 15,977,211</b>

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit

quality. 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, 2016, of the University's and its component units' debt instruments using Moody's and Standard and Poor's, nationally recognized rating agencies:

#### University Debt Investments Quality Ratings

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Less Than A or Not Rated</u>
Federal Agency Obligations	\$ 29,636,660	\$29,636,660	\$ -	\$ -	\$ -
Bonds and Notes	77,349,120	26,882,618	12,124,017	35,188,383	3,154,102
Mutual Funds - Bonds	9,511,628	-	1,462,934	376,426	7,672,268
<b>Totals</b>	<b>\$ 116,497,408</b>	<b>\$56,519,278</b>	<b>\$ 13,586,951</b>	<b>\$35,564,809</b>	<b>\$ 10,826,370</b>

#### Component Units' Debt Investments Quality Ratings

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Less Than A or Not Rated</u>
Domestic Fixed Income	\$ 40,249,312	\$ 4,407,933	\$28,977,436	\$ 6,817,828	\$ 46,115
International Fixed Income	12,526,480	-	-	3,799,290	8,727,190
Global All Assets	14,063,950	-	-	7,114,478	6,949,472
<b>Totals</b>	<b>\$ 66,839,742</b>	<b>\$ 4,407,933</b>	<b>\$28,977,436</b>	<b>\$17,731,596</b>	<b>\$ 15,722,777</b>

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

### 3. Receivables

**Accounts Receivable.** Accounts receivable represent amounts for contract and grant 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, 2016, the University reported the following amounts as accounts receivable:



<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 28,916,046
Student Tuition and Fees	27,124,351
Other	<u>4,991,380</u>
<b>Total Accounts Receivable</b>	<u><u>\$ 61,031,777</u></u>

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

**Allowance for Doubtful Receivables.** Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$1,797,419 and \$765,289, respectively, at June 30, 2016.

No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

#### **4. Due From State**

The amount due from State consists of \$54,869,166 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

#### **5. Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2016, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 24,821,959	\$ -	\$ 3,310,644	\$ -	\$ 28,132,603
Works of Art and Historical Treasures	218,000	-	-	-	218,000
Construction in Progress	16,805,071	-	45,021,450	24,142,062	37,684,459
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 41,845,030</b>	<b>\$ -</b>	<b>\$ 48,332,094</b>	<b>\$ 24,142,062</b>	<b>\$ 66,035,062</b>
Depreciable Capital Assets:					
Buildings	\$ 1,072,221,167	\$ 126,599,154	\$ 37,307,233	\$ -	\$ 1,236,127,554
Infrastructure and Other Improvements	54,651,869	2,100,028	-	-	56,751,897
Furniture and Equipment	200,305,208	-	18,786,828	7,011,305	212,080,731
Library Resources	118,856,324	-	7,973,219	-	126,829,543
Leasehold Improvements	17,775,876	-	1,292,125	-	19,068,001
Works of Art and Historical Treasures	1,677,354	-	-	-	1,677,354
Computer Software and Other Capital Assets	7,850,435	-	-	-	7,850,435
<b>Total Depreciable Capital Assets</b>	<b>1,473,338,233</b>	<b>128,699,182</b>	<b>65,359,405</b>	<b>7,011,305</b>	<b>1,660,385,515</b>
Less, Accumulated Depreciation:					
Buildings	367,775,630	-	35,857,757	-	403,633,387
Infrastructure and Other Improvements	24,558,356	-	2,354,313	-	26,912,669
Furniture and Equipment	162,087,364	-	15,694,309	6,394,993	171,386,680
Library Resources	99,379,160	-	4,749,533	-	104,128,693
Leasehold Improvements	15,206,493	-	1,294,405	-	16,500,898
Works of Art and Historical Treasures	985,119	-	94,316	-	1,079,435
Computer Software and Other Capital Assets	7,850,435	-	-	-	7,850,435
<b>Total Accumulated Depreciation</b>	<b>677,842,557</b>	<b>-</b>	<b>60,044,633</b>	<b>6,394,993</b>	<b>731,492,197</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 795,495,676</b>	<b>\$ 128,699,182</b>	<b>\$ 5,314,772</b>	<b>\$ 616,312</b>	<b>\$ 928,893,318</b>

Note: (1) Adjustments to capitalized assets resulted from the transfer of the football stadium, convocation center and related retail, and parking facilities. The Certificate of Participation Payable and Bonds Payable – Component Units section of Note 8. includes a complete discussion of the transfer.

## 6. Unearned Revenue

Unearned revenue at June 30, 2016, includes amounts received from contracts and grants, auxiliary prepayments, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2016, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 5,456,160
Auxiliary Prepayments	6,816,963
Student Tuition and Fees	880,508
<b>Total Unearned Revenue</b>	<b>\$ 13,153,631</b>

## 7. Deferred Outflow / Inflow of Resources

One of the University's blended component units (UCF Finance Corporation) entered into an interest rate swap agreement in connection with its \$60 million bond issuance to manage the risk of rising interest rates on its variable rate-based debt. Deferred outflow of resources includes the effect of deferring

accumulated decreases in the fair value of a hedging derivative related to this interest rate swap agreement. Accumulated decrease in the fair value of hedging derivatives for the year ended June 30, 2016, was \$18,102,762. The Bonds Payable section of Note 8. includes a complete discussion of the swap agreement.

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$57,578,139 and deferred inflows of resources related to pensions were \$18,246,594 for the year ended June 30, 2016. Note 9. includes a complete discussion of defined benefit pension plans.

## 8. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2016, include capital improvement debt payable, bonds payable, compensated absences payable, other postemployment benefits payable, net pension liability, interest rate swap, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$ 142,478,346	\$ -	\$ 8,524,408	\$ 133,953,938	\$ 8,155,000
Bonds Payable	54,085,000	-	1,355,000	52,730,000	1,415,000
Compensated Absences Payable	47,673,860	8,661,730	4,287,844	52,047,746	3,643,342
Other Postemployment Benefits Payable	59,802,000	22,125,000	2,592,000	79,335,000	-
Net Pension Liability	69,826,534	106,417,297	58,834,897	117,408,934	1,828,046
Interest Rate Swap	13,107,659	4,995,103	-	18,102,762	-
Other Noncurrent Liabilities	6,600,805	106,636	204,946	6,502,495	-
<b>Total Long-Term Liabilities</b>	<b>\$ 393,574,204</b>	<b>\$ 142,305,766</b>	<b>\$ 75,799,095</b>	<b>\$ 460,080,875</b>	<b>\$ 15,041,388</b>

**Capital Improvements Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2016:

<b>Capital Improvement Debt Type and Series</b>	<b>Amount of Original Debt</b>	<b>Amount Outstanding (1)</b>	<b>Interest Rates (Percent)</b>	<b>Maturity Date To</b>
Student Housing Debt:				
2002 - Housing	\$ 14,055,000	\$ 5,559,435	4.1 to 4.5	2021
2007A - Housing	38,780,000	28,493,195	4.0 to 5.5	2030
2012A - Housing	66,640,000	64,432,691	3 to 5	2042
<b>Total Student Housing Debt</b>	<b>119,475,000</b>	<b>98,485,321</b>		
Student Health Center Debt:				
2004A	8,000,000	3,990,595	4.5 to 5.0	2024
Parking Garage Debt:				
2004A - Parking Garage V	18,455,000	6,636,163	3.75 to 4.20	2024
2010B - Parking Garage VI	11,140,000	11,140,000	4.5 to 6.2	2029
2011A - Parking Garage	11,005,000	6,494,905	3 to 5	2022
20012A - Parking Garage	7,860,000	7,206,954	3 to 5	2032
<b>Total Parking Garage Debt</b>	<b>48,460,000</b>	<b>31,478,022</b>		
<b>Total Capital Improvement Debt</b>	<b>\$ 175,935,000</b>	<b>\$ 133,953,938</b>		

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

The University has pledged a portion of future housing rental, parking revenues, and health service facility fees based on credit hours to repay \$175,935,000 in capital improvement revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student housing, student health facilities, and student parking garages. The bonds are payable solely from housing rental revenues, parking and transportation fees, and student health fees and are payable through 2042. The University has committed to appropriate each year, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$185,201,115, and principal and interest paid for the current year totaled \$14,526,489. During the 2015-16 fiscal year, operating revenues generated from housing rentals, parking revenues, and student health fees totaled \$30,206,326, \$21,509,034, and \$16,992,114, respectively. Debt for 2010A Parking Garage VI was paid in full as of June 30, 2016.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,155,000	\$ 5,818,121	\$ 13,973,121
2018	8,520,000	5,430,116	13,950,116
2019	8,355,000	5,013,526	13,368,526
2020	8,745,000	4,603,128	13,348,128
2021	8,590,000	4,169,909	12,759,909
2022-2026	36,530,000	15,261,517	51,791,517
2027-2031	29,135,000	7,710,979	36,845,979
2032-2036	9,630,000	3,930,363	13,560,363
2037-2041	11,230,000	1,774,375	13,004,375
2042	2,545,000	54,081	2,599,081
<b>Subtotal</b>	<b>131,435,000</b>	<b>53,766,115</b>	<b>185,201,115</b>
Net Discounts and Premiums	2,518,938	-	2,518,938
<b>Total</b>	<b>\$ 133,953,938</b>	<b>\$ 53,766,115</b>	<b>\$ 187,720,053</b>

**Bonds Payable.** One of the University's blended component units, the UCF Finance Corporation (Corporation), issued \$60 million in bonds to finance the construction of the Burnett Biomedical Sciences Building, part of the University's medical school. The bonds are secured by indirect cost revenues received by the University from Federal, State, and private grants and further secured by a letter of credit issued by a local bank not to exceed \$60 million. The bonds are variable interest rate bonds with a synthetic interest rate of 4.49 percent at June 30, 2016. They mature on July 1, 2037.

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

Annual requirements to amortize the outstanding bonds as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Bonds Payable</u>		<u>Interest Rate Swap</u>	<u>Net Cash Flows</u>
	<u>Principal</u>	<u>Interest</u>		
2017	\$ 1,415,000	\$ 2,307,464	\$ 58,003	\$ 3,780,467
2018	1,490,000	2,245,544	56,447	3,791,991
2019	1,555,000	2,180,342	54,808	3,790,150
2020	1,630,000	2,112,295	53,097	3,795,392
2021	1,700,000	2,040,966	51,304	3,792,270
2022-2026	9,805,000	9,013,466	226,573	19,045,039
2027-2031	12,335,000	6,657,865	167,360	19,160,225
2032-2036	15,520,000	3,692,906	92,830	19,305,736
2037-2038	7,280,000	481,579	12,106	7,773,685
<b>Total</b>	<b>\$ 52,730,000</b>	<b>\$ 30,732,427</b>	<b>\$ 772,528</b>	<b>\$ 84,234,955</b>

The Corporation entered into an interest rate swap agreement in connection with \$60 million variable-rate bond issuance as a means to lower its borrowing costs when compared with fixed-rate bonds at the time of their issuance in June 2007. The interest rate swap agreement has a notional amount of \$52,730,000 and a maturity date of July 1, 2037. The Corporation utilizes such derivatives to manage the risk of rising interest rates on its variable interest-rate based debt. The counterparty to the interest rate swap agreement is a regional bank. Credit loss from counterparty nonperformance is not anticipated. Under the interest rate swap agreement, the Corporation pays the counterparty a fixed payment of 4.38 percent and receives a variable payment based on the Securities Industry and Financial Market Association swap index (0.41 percent at June 30, 2016). The variable-rate coupons of the bonds are reset weekly by the remarketing agent. As of June 30, 2016, the Corporation was not exposed to credit risk on this interest rate swap agreement because it had a negative fair value of \$18,102,762, which is reported in deferred outflows of resources on the statement of net position. This deferred outflow of resources reflects the settlement amount the Corporation would have to pay on June 30, 2016, to cancel the interest rate swap agreement which approximates the fair value of the liability transferred to a market participant. The liability's fair value is estimated based on valuation models, using interest rates and yield curves that are observable at commonly quoted intervals as the inputs (Level 2). If interest rates change and the fair value of the interest rate swap agreement becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivative's fair value. In accordance with the Corporation's policy to mitigate the potential for credit risk, the Corporation may require that the fair value of the interest rate swap agreement be fully collateralized by a letter of credit if the counterparty's credit quality falls below AA/Aa. As of June 30, 2016, collateralization was not required due to the swap agreement having a negative fair value.

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. 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, 2016, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$52,047,746. The current portion of the compensated absences liability, \$3,643,342, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last 3 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 (OPEB Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the OPEB Plan information is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the OPEB Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2015-16 fiscal year, 507 retirees received postemployment healthcare benefits. The University provided required contributions of \$2,592,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$3,565,000, which represents 1.0 percent of covered payroll.

*Annual OPEB Cost and Net OPEB Obligation.* The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the University's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 12,659,000
Amortization of Unfunded Actuarial	
Accrued Liability	8,440,000
Interest on Normal Cost and Amortization	844,000
<b>Annual Required Contribution</b>	21,943,000
Interest on Net OPEB Obligation	2,392,000
Adjustment to Annual Required Contribution	(2,210,000)
<b>Annual OPEB Cost (Expense)</b>	22,125,000
Contribution Toward the OPEB Cost	(2,592,000)
<b>Increase in Net OPEB Obligation</b>	19,533,000
Net OPEB Obligation, Beginning of Year	59,802,000
<b>Net OPEB Obligation, End of Year</b>	<u>\$ 79,335,000</u>

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and for the 2 preceding fiscal years were as follows:

<u>Fiscal Year</u>	<b>Percentage of</b>		
	<b>Annual</b>	<b>Annual</b>	<b>Net OPEB</b>
	<b>OPEB Cost</b>	<b>OPEB Cost</b>	<b>Obligation</b>
		<b>Contributed</b>	
2013-14	\$ 14,095,000	10.0%	\$ 48,177,000
2014-15	12,943,000	10.2%	59,802,000
2015-16	22,125,000	11.7%	79,335,000

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$228,413,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$228,413,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$364,535,289 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 62.7 percent.

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

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

The University's OPEB actuarial valuation as of July 1, 2015, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2016, and the University's 2015-16 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 4.4 percent, 8.5 percent, and 9.3 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.5 percent, 6.6 percent, and 7.5 percent for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 3.9 percent over 70 years. The unfunded actuarial accrued liability



is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2016, was 21 years.

**Net Pension Liability.** As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2016, the University's proportionate share of the net pension liabilities totaled \$117,408,934. Note 9. includes a complete discussion of the defined benefit pensions plans.

**Interest Rate Swap.** As described previously in the Bonds Payable paragraph above, the Corporation entered into an interest rate swap agreement in connection with its \$60 million bond issuance. As of June 30, 2016, this interest rate swap agreement had a negative fair value of \$18,102,762.

**Other Noncurrent Liabilities.** Other noncurrent liabilities primarily consist of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. Under the Perkins Loan program, the University receives Federal capital contributions that must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$6,358,506 as of June 30, 2016.

**Certificate of Participation Payable and Bonds 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 UCF Convocation Corporation extinguished the two certificate of participation long-term debt obligations related to the convocation center, renovations of the existing University Arena and related infrastructure by the issuance of revenue bond debt instruments as follows:

In August 2015, the UCF Convocation Corporation issued a \$48,385,000 Refunding Revenue Bond, Series 2015A and a \$34,775,000 Taxable Refunding Revenue Bond, Series 2015B to a bank. The bonds will mature on October 1, 2035, and bear interest at fixed rates ranging from 0.75 to 5.00 percent per annum. Proceeds of \$84,301,101 from the Refunding Revenue Bonds plus an additional \$10,267,938 from the Corporation's Debt Service accounts were used to purchase \$94,569,039 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2005A & B certificates, which defeased the certificates. The trust assets and the liability for the defeased certificates are not included in the statement of net position. The trust extinguished the defeased certificates on October 1, 2015. As a result of the refunding, the UCF Convocation Corporation reduced its capital improvement debt service requirement by \$23,625,800 over the next 20 years and obtained an economic gain of \$9,097,382.

The extinguishment of the defeased certificates terminated the arena ground lease between the UCF Convocation Corporation and the University. Building and building improvements on the leased land transferred in ownership to the University at net book value of \$75,058,907.

The outstanding balance of UCF Convocation Corporation certificates and revenue bonds at June 30, 2016, was \$112,645,000 and \$82,825,000, respectively, before an unamortized premium of \$1,089,234.

In conjunction with the August 2015 refunding, the University entered into an operating agreement with UCF Convocation Corporation whereby the UCF Convocation Corporation will be solely responsible for management and operations of the convocation center and related facilities. The University assigned its rights, title and interest in revenues generated from use of the facilities to the UCF Convocation Corporation and granted it the right to pledge revenues to secure repayment of the Refunding Revenue Bonds. The University retained the right for priority use of the facilities for a period of at least one hundred days annually. In exchange, the University agreed to pay UCF Convocation Corporation \$2,200,000 per year for the term of the agreement. The term of the agreement ends in 2036 and cannot be terminated prior to the time that all related bonds have been paid in full. Amounts paid to UCF Convocation Corporation for the year ended June 30, 2016, totaled \$2,200,000.

During the 2006-2007 fiscal year, certificates of participation were issued by the UCF Stadium Corporation for the construction of a football stadium on the campus of the University. These certificates were extinguished by the issuance of revenue bonds debt instruments as follows:

In December 2015, the UCF Stadium Corporation issued Series 2015A tax-exempt Refunding Revenue Bonds for \$33,995,000 with a net premium of \$2,332,576, Series 2015B Taxable Refunding Revenue Bonds for \$10,250,000, and a Series 2015C non-taxable Refunding Revenue Bond for \$3,810,000 to a bank. These bonds were issued to refund and replace the Corporation's Series 2006A, 2006B, and 2014 Certificates of Participation. Proceeds of \$46,577,576 from the refunding bonds, plus an additional \$4,879,667 from the Corporations debt service accounts, were used to purchase \$40,376,088 of U.S. Treasury State and Local Government Series Securities and to make a cash deposit with the Corporation's trust to prepay the balance on the 2006B taxable certificates. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2006A&B certificates, which defeased the certificates. The trust assets and the liability for the defeased certificates are not included in the statement of net position. The trust extinguished the defeased certificates on March 1, 2016. As a result of the refunding, the Corporation reduced its capital improvement debt service requirement by \$7,520,700 over the next 20 years and obtained an economic gain of \$617,527.

The UCF Stadium Corporation's refunding bonds include both term and serial bonds and are secured by a pledge from the UCF Athletics Association, Inc. of gross ticket revenues, rent, away-game guarantees, conference distributions, and sponsorship revenues. These bonds bear fixed interest rates that range for 1.60 percent to 5.15 percent, and maturity dates that range from March 2029 to March 2036.

The extinguishment of the defeased certificates terminated the ground lease between the UCF Stadium Corporation and the University. All building and building improvements on the leased land transferred in ownership to the University at net book value of \$53,640,275.

The outstanding balance of the UCF Stadium Corporation revenue bonds at June 30, 2016, was \$47,297,000, before an unamortized premium of \$2,265,383.

The University entered into support agreements with the UCF Convocation Corporation and the UCF Stadium Corporation such that it will fund certain deficiencies that may arise in the event either corporation is unable to make the minimum payments on the bonds. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

In addition, the University has entered into various support agreements with UCF Convocation Corporation whereby, in the event of certain deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies.

Also, in fiscal year 2016, the UCF Convocation Corporation met requirements necessary to release certain restricted funds held by the Convocation Corporation's trustee. The Convocation Corporation's governing board made the decision to remit these funds back to the University. Transfers to the University were \$1,337,718 for the fiscal year ended June 30, 2016.

**Loans and Notes Payable – Component Units.** In October 1997, the University of Central Florida Foundation, Inc. signed renewal annuity notes payable with two Charitable Remainder Annuity Trusts for which the Foundation is named as irrevocable beneficiary. As of June 30, 2016, the outstanding principal balance of the notes payable was \$1,960,883 and annuity obligations were \$551,222. The notes mature in October 2017.

During the 2004-05 fiscal year, the University of Central Florida Foundation, Inc. entered into two notes of \$2,800,000 and \$10,400,000, respectively, with banks for the purchase of land and buildings. The \$10,400,000 note was refinanced during 2008-09 fiscal year. The notes are secured by the land, buildings, and lease revenues. The combined outstanding balances of the notes payable were \$8,530,000 at June 30, 2016, and the notes mature in April 2017 and April 2029, respectively.

During the 2009-10 fiscal year, the University of Central Florida Foundation, Inc. entered into a loan agreement with a bank for \$19,250,000. The note is comprised of both tax-exempt and taxable portions. The note is secured by buildings and lease revenue. The outstanding balance for both the taxable and tax exempt portions at June 30, 2016, was \$14,830,000 and the loan matures on October 1, 2025.

The University of Central Florida Foundation, Inc. entered into a \$2,450,000 line of credit with a credit union in November of 2004, for construction of the Alumni Center. As of June 30, 2016, there was no outstanding principal balance.

During the 2014-15 fiscal year, the UCF Athletics Association, Inc. modified a construction line of credit with a local bank to a line of credit promissory note. The note matures June 2033, and the repayment schedule assumes the agreement is renewed annually. If the agreement is not renewed, the entire balance will be due in full at that time. In June 2016, the UCF Athletics Association renewed the agreement until July 2017, which carries interest at 67 percent of LIBOR plus 1.34 percent (1.68 percent at June 30, 2016). The note is secured by an amount not to exceed 5 percent of the prior year's collection of student athletic fees and conference payments from the American conference. As of June 30, 2016, the amount outstanding on the note was \$6,184,999.

In June 2015, the UCF Athletics Association, Inc. also renewed an operating line of credit agreement with a local bank for \$2,000,000. The line carries an interest rate of LIBOR plus 2.00 percent (2.47 percent at June 30, 2016). The line is secured by all contract royalties under a multimedia agreement, as well

as, all NCAA grant-in-aid and sports sponsorship distributions. As of June 30, 2016, there was no amount outstanding on the operating line of credit.

**Due to University – Component Units.** The UCF Athletics Association, Inc. received several loans from the University between 2004 and 2007. In 2009, those loans were consolidated into one loan. In July 2015, the Board of Trustees approved an amendment to the previous payment schedule. A payment of \$3,031,485 was made during fiscal year 2016 with future years' payments ranging from \$500,000 to \$1,200,000. The loan matures in fiscal year 2025 and bears interest at a variable rate equal to the preceding fiscal year's average SPIA rate of return. As of June 30, 2016, the amount outstanding, including interest, totaled \$7,016,648.

## **9. Retirement Plans – Defined Benefit Pension Plans**

### **General Information about the Florida Retirement System (FRS)**

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

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

The University's FRS and HIS pension expense totaled \$13,931,257 for the fiscal year ended June 30, 2016.

### **FRS Pension Plan**

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of services. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

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

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

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

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were:

<b>Class</b>	<b>Percent of Gross Salary</b>	
	<b>Employee</b>	<b>Employer (1)</b>
FRS, Regular	3.00	7.26
FRS, Senior Management Service	3.00	21.43
FRS, Special Risk	3.00	22.04
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled \$13,653,222 for the fiscal year ended June 30, 2016.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2016, the University reported a liability of \$69,510,775 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal

year contributions of all participating members. At June 30, 2015, the University's proportionate share was 0.538161499 percent, which was an increase of 0.053857599 from its proportionate share measured as of June 30, 2014.

For the year ended June 30, 2016, the University recognized pension expense of \$9,689,616. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,338,280	\$ 1,648,584
Change of assumptions	4,613,663	-
Net difference between projected and actual earnings on FRS Plan investments	-	16,598,010
Changes in proportion and differences between University contributions and proportionate share of contributions	21,629,649	-
University FRS contributions subsequent to the measurement date	13,653,222	-
<b>Total</b>	<b>\$ 47,234,814</b>	<b>\$ 18,246,594</b>

The deferred outflows of resources related to pensions totaling \$13,653,222, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (778,843)
2018	(778,843)
2019	(778,843)
2020	12,915,034
2021	3,941,016
Thereafter	815,477
<b>Total</b>	<b>\$ 15,334,998</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
<b>Total</b>	<b>100%</b>			
Assumed inflation - Mean		2.6%		1.9%

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

**Discount Rate.** The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
University's proportionate share of the net pension liability	\$ 180,118,140	\$ 69,510,775	\$ (22,532,720)

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

### **HIS Pension Plan**

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



*Benefits Provided.* For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$2,561,234 for the fiscal year ended June 30, 2016.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.* At June 30, 2016, the University reported a liability of \$47,898,159 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within one year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the University's proportionate share was 0.469662225 percent, which was an increase of 0.038904766 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the University recognized pension expense of \$4,241,641. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 3,768,335
Net difference between projected and actual earnings on HIS Plan investments	25,929
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	3,987,827
University HIS contributions subsequent to the measurement date	2,561,234
<b>Total</b>	<u><u>\$ 10,343,325</u></u>

The deferred outflows of resources totaling \$2,561,234 resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 1,329,481
2018	1,329,481
2019	1,329,481
2020	1,324,211
2021	1,321,681
Thereafter	1,147,756
<b>Total</b>	<b>\$ 7,782,091</b>

*Actuarial Assumptions.* The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 percent

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 4.29 percent from the prior measurement date.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
University's proportionate share of the net pension liability	\$ 54,577,723	\$ 47,898,159	\$ 42,328,406

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

## 10. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within

the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled \$4,375,975 for the fiscal year ended June 30, 2016.

**State University System Optional Retirement Program.** Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.65 percent to cover the unfunded actuarial liability of the FRS pension plan, 0.01 percent to cover administrative costs, for a total of 7.8 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$16,232,858 and employee contributions totaled \$10,438,270 for the 2015-16 fiscal year.

## **11. Construction Commitments**

The University's construction commitments at June 30, 2016, are as follows:

<b><u>Project Description</u></b>	<b><u>Total Commitment</u></b>	<b><u>Completed to Date</u></b>	<b><u>Balance Committed</u></b>
Interdisciplinary Research and Incubator Facility Phase 1	\$ 26,345,770	\$ 6,196,651	\$ 20,149,119
Parking Garage C Expansion	8,460,271	5,647,595	2,812,676
Mathematical Sciences Building Renovation	4,563,560	2,859,742	1,703,818
Student Health Center Addition	3,118,020	1,280,429	1,837,591
Knights Plaza Enhancements	2,871,052	425,992	2,445,060
District Energy Plant IV	2,539,688	911,994	1,627,694
UCF Arena HVAC Replacement	2,458,134	1,517,787	940,347
Trevor Colbourn Hall	2,451,292	471,247	1,980,045
Facilities and Safety Warehouse Expansion	2,174,423	170,552	2,003,871
Stadium Audio Visual System	2,117,200	6,446	2,110,754
CREOL Lab Buildout	1,830,588	202,123	1,628,465
<b>Subtotal</b>	<b>58,929,998</b>	<b>19,690,558</b>	<b>39,239,440</b>
Other Projects (1)	20,516,483	17,993,901	2,522,582
<b>Total</b>	<b>\$ 79,446,481</b>	<b>\$ 37,684,459</b>	<b>\$ 41,762,022</b>

Note: (1) Individual projects with current balance committed of less than \$500,000 at June 30, 2016.

## 12. Operating Lease Commitments

The University leased buildings under operating leases, which expire in various intervals through 2026. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<b><u>Fiscal Year Ending June 30</u></b>	<b><u>Amount</u></b>
2017	\$ 10,902,439
2018	10,946,899
2019	10,398,584
2020	7,317,311
2021	1,415,814
2022-2026	4,664,154
<b>Total Minimum Payments Required</b>	<b>\$ 45,645,201</b>

The University of Central Florida Foundation, Inc. receives rents and reimbursement for certain operating expenses from the University for various buildings owned by the Foundation and occupied by the University. The Foundation and University are also parties to a long-term 99-year ground lease for use of the land at Lake Nona for the Health Sciences Campus. Rents and reimbursements paid by the University for the year ended June 30, 2016, were \$9,249,908.

The University has also entered into rental agreements with the UCF Convocation Corporation for use of parking garages and various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year ended June 30, 2016, totaled \$2,408,463.

### 13. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2015-16 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$54 million for named windstorm and flood losses through February 14, 2016, and increased to \$85 million starting February 15, 2016. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

#### **University Self-Insured Program.**

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

Prior to October 1, 2011, the Program provided the Board of Trustees with protection of \$100,000 per claim and \$200,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising from the same occurrence for the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare

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

The 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 Program during the 2014-15 and 2015-16 fiscal years are presented in the following table:

<u>Fiscal Year</u>	<u>Claims Liability Beginning of Year</u>	<u>Current Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Claim Liabilities End of Year</u>
June 30, 2015	\$ 37,553	\$ 6,099	\$ 323	\$ 43,329
June 30, 2016	43,329	98,071	178	141,222

#### 14. Litigation

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

#### 15. Functional Distribution of Operating Expenses

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

<b>Functional Classification</b>	<b>Amount</b>
Instruction	\$ 306,838,115
Research	112,715,089
Public Services	7,814,901
Academic Support	64,300,857
Student Services	52,368,862
Institutional Support	110,150,958
Operation and Maintenance of Plant	47,383,840
Scholarships and Fellowships	83,048,276
Depreciation	60,044,633
Auxiliary Enterprises	92,217,302
Loan Operations	396,273
<b>Total Operating Expenses</b>	<b>\$ 937,279,106</b>

## 16. Segment Information

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

### Condensed Statement of Net Position

	<b>Housing Capital Improvement Debt</b>	<b>Parking Capital Improvement Debt</b>	<b>Health Services Capital Improvement Debt</b>
<b>Assets</b>			
Current Assets	\$ 19,772,972	\$ 13,869,908	\$ 9,869,773
Capital Assets, Net	96,284,374	60,858,793	8,940,281
Other Noncurrent Assets	9,959,922	12,749,260	7,988,711
<b>Total Assets</b>	<b>126,017,268</b>	<b>87,477,961</b>	<b>26,798,765</b>
<b>Liabilities</b>			
Current Liabilities	9,014,018	4,999,928	1,294,965
Noncurrent Liabilities	94,376,293	31,343,664	4,309,076
<b>Total Liabilities</b>	<b>103,390,311</b>	<b>36,343,592</b>	<b>5,604,041</b>
<b>Net Position</b>			
Net Investment in Capital Assets	(2,200,947)	29,380,772	4,974,585
Restricted - Expendable	9,927,578	11,907,024	7,784,800
Unrestricted	14,900,326	9,846,573	8,435,339
<b>Total Net Position</b>	<b>\$ 22,626,957</b>	<b>\$ 51,134,369</b>	<b>\$ 21,194,724</b>



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

	<b>Housing Capital Improvement Debt</b>	<b>Parking Capital Improvement Debt</b>	<b>Health Services Capital Improvement Debt</b>
Operating Revenues	\$ 30,206,327	\$ 21,509,034	\$ 21,994,910
Depreciation Expense	(4,803,285)	(2,337,358)	(432,356)
Other Operating Expenses	(16,640,998)	(12,093,771)	(16,538,410)
<b>Operating Income</b>	<u>8,762,044</u>	<u>7,077,905</u>	<u>5,024,144</u>
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	738,361	840,785	390,082
Interest Expense	(4,386,893)	(1,415,726)	(213,111)
Other Nonoperating Expense	-	(3,674)	-
<b>Net Nonoperating Revenues (Expenses)</b>	<u>(3,648,532)</u>	<u>(578,615)</u>	<u>176,971</u>
Other Revenues, Expenses, Gains and Losses	(2,344,612)	(1,287,231)	(2,008,914)
<b>Increase in Net Position</b>	2,768,900	5,212,059	3,192,201
Net Position, Beginning of Year	<u>19,858,057</u>	<u>45,922,310</u>	<u>18,002,523</u>
<b>Net Position, End of Year</b>	<u><u>\$ 22,626,957</u></u>	<u><u>\$ 51,134,369</u></u>	<u><u>\$ 21,194,724</u></u>

**Condensed Statement of Cash Flows**

	<b>Housing Capital Improvement Debt</b>	<b>Parking Capital Improvement Debt</b>	<b>Health Services Capital Improvement Debt</b>
Net Cash Provided (Used) by:			
Operating Activities	\$ 13,793,482	\$ 9,505,638	\$ 5,670,509
Noncapital Financing Activities	(2,162,817)	(1,306,030)	(2,166,114)
Capital and Related Financing Activities	(9,741,513)	(6,978,722)	(1,860,336)
Investing Activities	(1,204,041)	(589,848)	(1,210,803)
<b>Net Increase in Cash and Cash Equivalents</b>	685,111	631,038	433,256
Cash and Cash Equivalents, Beginning of Year	<u>2,137,932</u>	<u>1,798,778</u>	<u>1,191,762</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 2,823,043</u></u>	<u><u>\$ 2,429,816</u></u>	<u><u>\$ 1,625,018</u></u>

## 17. Blended Component Units

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

**Condensed Statement of Net Position**

	<b>Blended Component Units</b>					
	<b>University of Central Florida College of Medicine Self-Insurance Program</b>					
	<b>UCF Finance Corporation</b>	<b>Self-Insurance Program</b>	<b>Total Blended Component Units</b>	<b>University</b>	<b>Eliminations</b>	<b>Total Primary Government</b>
<b>Assets:</b>						
Other Current Assets	\$ 4,230,947	\$ 3,859,585	\$ 8,090,532	\$ 557,088,488	\$ -	\$ 565,179,020
Capital Assets, Net	-	-	-	994,928,380	-	994,928,380
Due From University / Blended CU	48,852,004	-	48,852,004	-	(48,852,004)	-
Other Noncurrent Assets	-	-	-	151,146,772	-	151,146,772
<b>Total Assets</b>	<b>53,082,951</b>	<b>3,859,585</b>	<b>56,942,536</b>	<b>1,703,163,640</b>	<b>(48,852,004)</b>	<b>1,711,254,172</b>
<b>Deferred Outflows of Resources</b>	<b>18,102,762</b>	<b>-</b>	<b>18,102,762</b>	<b>57,578,139</b>	<b>-</b>	<b>75,680,901</b>
<b>Liabilities:</b>						
Other Current Liabilities	1,626,352	144,264	1,770,616	97,305,804	-	99,076,420
Due To University / Blended CU	-	-	-	48,852,004	(48,852,004)	-
Noncurrent Liabilities	69,417,762	-	69,417,762	375,621,725	-	445,039,487
<b>Total Liabilities</b>	<b>71,044,114</b>	<b>144,264</b>	<b>71,188,378</b>	<b>521,779,533</b>	<b>(48,852,004)</b>	<b>544,115,907</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,246,594</b>	<b>-</b>	<b>18,246,594</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	-	-	-	813,145,640	-	813,145,640
Restricted - Expendable	141,599	3,715,321	3,856,920	205,038,368	-	208,895,288
Unrestricted	-	-	-	202,531,644	-	202,531,644
<b>Total Net Position</b>	<b>\$ 141,599</b>	<b>\$ 3,715,321</b>	<b>\$ 3,856,920</b>	<b>\$ 1,220,715,652</b>	<b>\$ -</b>	<b>\$ 1,224,572,572</b>

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

	<b>Blended Component Units</b>					
	<b>University of Central Florida College of Medicine Self-Insurance Program</b>					
	<b>UCF Finance Corporation</b>	<b>Self-Insurance Program</b>	<b>Total Blended Component Units</b>	<b>University</b>	<b>Eliminations</b>	<b>Total Primary Government</b>
Operating Revenues	\$ -	\$ 218,612	\$ 218,612	\$ 492,823,859	\$ (218,612)	\$ 492,823,859
Depreciation Expense	-	-	-	(60,044,633)	-	(60,044,633)
Other Operating Expenses	(188,308)	(203,755)	(392,063)	(876,843,202)	792	(877,234,473)
<b>Operating Income (Loss)</b>	<b>(188,308)</b>	<b>14,857</b>	<b>(173,451)</b>	<b>(444,063,976)</b>	<b>(217,820)</b>	<b>(444,455,247)</b>
Nonoperating Revenues (Expenses):						
Nonoperating Revenue	2,547,699	74,534	2,622,233	480,981,735	(2,431,663)	481,172,305
Interest Expense	(2,359,391)	-	(2,359,391)	(6,025,305)	-	(8,384,696)
Other Nonoperating Expense	-	-	-	(30,968,811)	2,649,483	(28,319,328)
<b>Net Nonoperating Revenues</b>	<b>188,308</b>	<b>74,534</b>	<b>262,842</b>	<b>443,987,619</b>	<b>217,820</b>	<b>444,468,281</b>
Other Revenues	-	-	-	157,860,797	-	157,860,797
<b>Increase in Net Position</b>	<b>-</b>	<b>89,391</b>	<b>89,391</b>	<b>157,784,440</b>	<b>-</b>	<b>157,873,831</b>
Net Position, Beginning of Year	141,599	3,625,930	3,767,529	1,062,931,212	-	1,066,698,741
<b>Net Position, End of Year</b>	<b>\$ 141,599</b>	<b>\$ 3,715,321</b>	<b>\$ 3,856,920</b>	<b>\$ 1,220,715,652</b>	<b>\$ -</b>	<b>\$ 1,224,572,572</b>

**Condensed Statement of Cash Flows**

	<b>Blended Component Units</b>					
		<b>University of Central Florida College of Medicine Self-Insurance Program</b>	<b>Total Blended Component Units</b>	<b>University</b>	<b>Eliminations</b>	<b>Total Primary Government</b>
	<b>UCF Finance Corporation</b>					
Net Cash Provided (Used) by:						
Operating Activities	\$ (195,888)	\$ 158,107	\$ (37,781)	\$ (366,348,607)	\$ (218,613)	\$ (366,605,001)
Noncapital Financing Activities	-	-	-	449,060,364	3,503,111	452,563,475
Capital and Related Financing Activities	(434,862)	-	(434,862)	(80,448,253)	(3,284,498)	(84,167,613)
Investing Activities	116,828	(523,590)	(406,762)	(2,856,023)	-	(3,262,785)
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(513,922)</b>	<b>(365,483)</b>	<b>(879,405)</b>	<b>(592,519)</b>	<b>-</b>	<b>(1,471,924)</b>
Cash and Cash Equivalents, Beginning of Year	4,615,228	1,600,773	6,216,001	43,574,030	-	49,790,031
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,101,306</b>	<b>\$ 1,235,290</b>	<b>\$ 5,336,596</b>	<b>\$ 42,981,511</b>	<b>\$ -</b>	<b>\$ 48,318,107</b>

**18. Discretely Presented Component Units**

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

## Condensed Statement of Net Position

	Direct-Support Organizations					Other	
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation	Total Direct-Support Organizations	Central Florida Clinical Practice Organization, Inc.
							Total
<b>Assets:</b>							
Current Assets	\$ 27,342,984	\$ 10,787,540	\$ 4,440,158	\$ 20,804,334	\$ 3,778,182	\$ 67,153,198	\$ 3,190,868
Capital Assets, Net	75,937,527	-	15,161,872	84,423,933	9,992	175,533,324	152,132
Other Noncurrent Assets	197,925,714	1,132,528	-	2,731,394	-	201,789,636	-
<b>Total Assets</b>	<b>301,206,225</b>	<b>11,920,068</b>	<b>19,602,030</b>	<b>107,959,661</b>	<b>3,788,174</b>	<b>444,476,158</b>	<b>3,343,000</b>
<b>Deferred Outflows of Resources</b>	<b>27,310</b>	<b>-</b>	<b>-</b>	<b>632,751</b>	<b>69,570</b>	<b>729,631</b>	<b>-</b>
<b>Liabilities:</b>							
Current Liabilities	4,341,308	7,582,210	6,612,767	12,319,972	3,863,281	34,719,538	109,159
Noncurrent Liabilities	25,641,250	-	12,930,123	189,514,234	47,888,383	275,973,990	-
<b>Total Liabilities</b>	<b>29,982,558</b>	<b>7,582,210</b>	<b>19,542,890</b>	<b>201,834,206</b>	<b>51,751,664</b>	<b>310,693,528</b>	<b>109,159</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>194,677</b>	<b>-</b>	<b>194,677</b>	<b>-</b>
<b>Net Position:</b>							
Net Investment in Capital Assets	52,604,837	-	8,929,936	(111,697,227)	(49,482,822)	(99,645,276)	152,132
Restricted	197,786,472	762,296	-	14,572,317	289,859	213,410,944	-
Unrestricted	20,859,668	3,575,562	(8,870,796)	3,688,439	1,299,043	20,551,916	3,081,709
<b>Total Net Position</b>	<b>\$ 271,250,977</b>	<b>\$ 4,337,858</b>	<b>\$ 59,140</b>	<b>\$ (93,436,471)</b>	<b>\$ (47,893,920)</b>	<b>\$ 134,317,584</b>	<b>\$ 3,233,841</b>
							<b>\$ 137,551,425</b>

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

	Direct-Support Organizations					Other	
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation	Total Direct-Support Organizations	Central Florida Clinical Practice Organization Inc.
							Total
Operating Revenues	\$ 42,461,046	\$ 9,124,959	\$ 42,039,793	\$ 32,597,315	\$ 3,536,494	\$ 129,759,607	\$ 3,119,556
Depreciation Expense	(2,005,108)	-	(817,068)	(3,545,751)	(678,945)	(7,046,872)	(134,909)
Operating Expenses	(40,670,455)	(9,950,161)	(46,300,602)	(19,331,778)	(1,542,438)	(117,795,434)	(1,272,750)
<b>Operating Income (Loss)</b>	<b>(214,517)</b>	<b>(825,202)</b>	<b>(5,077,877)</b>	<b>9,719,786</b>	<b>1,315,111</b>	<b>4,917,301</b>	<b>1,711,897</b>
Net Nonoperating Revenues (Expenses):							
Nonoperating Revenues	10,928,015	155,705	5,181,228	189,731	112,874	16,567,553	-
Interest Expense	-	-	(245,194)	(8,080,223)	(2,290,053)	(10,615,470)	-
Other Nonoperating Expenses	(34,911)	(571)	-	(1,337,718)	(3,034,812)	(4,408,012)	(10,000)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>10,893,104</b>	<b>155,134</b>	<b>4,936,034</b>	<b>(9,228,210)</b>	<b>(5,211,991)</b>	<b>1,544,071</b>	<b>(10,000)</b>
Other Revenues, Expenses, Gains, and Losses	3,180,410	-	-	(75,058,908)	(53,640,274)	(125,518,772)	-
<b>Increase (Decrease) in Net Position</b>	<b>13,858,997</b>	<b>(670,068)</b>	<b>(141,843)</b>	<b>(74,567,332)</b>	<b>(57,537,154)</b>	<b>(119,057,400)</b>	<b>1,701,897</b>
Net Position, Beginning of Year	257,391,980	5,007,926	200,983	(18,869,139)	9,643,234	253,374,984	1,531,944
<b>Net Position, End of Year</b>	<b>\$ 271,250,977</b>	<b>\$ 4,337,858</b>	<b>\$ 59,140</b>	<b>\$ (93,436,471)</b>	<b>\$ (47,893,920)</b>	<b>\$ 134,317,584</b>	<b>\$ 3,233,841</b>
							<b>\$ 137,551,425</b>

The UCF Convocation Corporation and the UCF Stadium Corporation have a deficit net position of \$93,436,471 and \$47,893,920, respectively, as of June 30, 2016. These deficits are attributed to the transfer of buildings and building improvements to the University as a result of the August 2015 and December 2015 debt refundings which terminated the ground leases between the UCF Convocation Corporation and the University, and the UCF Stadium Corporation and the University. The Corporations' debts related to the refunding were previously included as a component of the Net Investment in Capital Assets net position but are now included as a component of unrestricted net position on their stand-alone financial statements. The University has reclassified the amounts to Net Investment in Capital Assets in the Statement of Net Position. As the UCF Convocation Corporation and the UCF Stadium Corporation continue to reduce their outstanding long-term debt obligations, the deficit net position will decrease.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

### **Schedule of Funding Progress – Other Postemployment Benefits Plan**

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

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

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

	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.538161499%	0.48430390%	0.360374086%
University's proportionate share of the FRS net pension liability	\$ 69,510,775	\$ 29,549,660	\$ 62,036,419
University's covered-employee payroll (2)	\$ 333,695,268	\$ 305,107,256	\$ 289,894,138
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	20.83%	9.69%	21.40%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	92.00%	96.09%	88.54%

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

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

### **Schedule of University Contributions – Florida Retirement System Pension Plan**

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

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

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

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

	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
University's proportion of the HIS net pension liability	0.469662225%	0.430757459%	0.415357381%
University's proportionate share of the HIS net pension liability	\$ 47,898,159	\$ 40,276,874	\$ 36,162,321
University's covered-employee payroll (2)	\$ 140,702,712	\$ 127,489,508	\$ 122,964,996
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	34.04%	31.59%	29.41%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.50%	0.99%	1.78%

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

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

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

	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 2,561,234	\$ 1,795,341	\$ 1,475,630
HIS contributions in relation to the contractually required HIS contribution	(2,561,234)	(1,795,341)	(1,475,630)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll (2)	\$ 153,090,572	\$ 140,702,712	\$ 127,489,508
HIS contributions as a percentage of covered-employee payroll	1.67%	1.28%	1.16%

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

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

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. Schedule of Funding Progress – Other Postemployment Benefit Plan**

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

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

*Changes of Assumptions.* The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 percent.





Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 30, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to University management in our operational audit report No. 2017-057.

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 30, 2017

**ITEM: INFO-4**

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

**SUBJECT:** UCF Facilities Planning and Construction Departmental Assessment

**DATE:** April 19, 2017

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For information only.

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

**Prepared by:** Rhonda Bishop, Chief Compliance and Ethics Officer

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

# **1. EXECUTIVE SUMMARY**

## **1.1 Scope of the Engagement**

### **1.1.1 Overview**

The University of Central Florida (UCF) Facilities Planning and Construction (FP&C) Department provides planning, design, and construction services to ensure a safe and effective campus environment that supports the university's mission of education, research, and community service.

Hill International, Inc. (Hill) was engaged to perform an external review of the FP&C Department's organizational structure, policies, procedures, roles, responsibilities, and project controls, with the primary objective of improving performance through implementation of improvement recommendations.

### **1.1.2 Objectives**

The objectives of the assessment included:

1. Identification of gaps and risks between the FP&C Department's "as-is" state with leading industry practices, Hill's lessons learned from similar engagements, and identified peer institutions.
2. Development of organizational and process improvement recommendations.
3. Prioritization of the improvement recommendations based on the resources required to implement the recommendation and beneficial impact of the recommendation on the FP&C Department and UCF.
4. Development of a high-level plan to implement the improvement recommendations.



## 1.2 Improvement Recommendations

### 1.2.1 Overview

Hill separated its improvement recommendations into two major categories. The improvement recommendations that are included in the first category are designed to address Hill's observations of the FP&C Department's current processes that require immediate action. For the most part, the purpose of implementing these improvement recommendations is not to better align the FP&C Department's existing processes with leading industry practices, but to instead resolve operational issues that are currently affecting the efficient and effective execution of projects. These strategies will also establish a foundation for implementing the improvement recommendations that are included in the second category.

The improvement recommendations that are included in the second category are designed to better align the FP&C Department's existing processes with leading industry practices. Within this category, Hill has prioritized the improvement recommendations from one to three based on the proper sequence in which they must occur (e.g. implementation of a standard must occur before training), resources required to implement the recommendation, and beneficial impact of the recommendation.

### 1.2.2 Improvement Recommendations to Address Observations Requiring Immediate Action

The improvement recommendations in the table below are designed to address Hill's observations of the FP&C Department's existing processes that require immediate action.

	Recommendation	Implementation			Benefits
		Action	Cost	Difficulty	
<b>Capital Program Development and Management</b>	Develop enhanced process for planning and programming minor projects	External	\$	Moderate	High
<b>Organizational Structure</b>	Address Project Manager workload situation	Internal FP&C	\$\$	Moderate	High
	Ensure objective evaluation of proposals	Internal FP&C	\$	Low	High

	Recommendation	Implementation			Benefits
		Action	Cost	Difficulty	
<b>Procurement and Contract Management</b>	Refine the General Contractor Quotes process	Internal FP&C	\$	Low	High
	Develop a detailed process for contract closeout and transition to operations	Internal FP&C	\$	Low	High
<b>Project Development and Scope Management</b>	Evaluate Environmental Health and Safety staffing needs	External	\$\$	Moderate	High
<b>Communication and Document Management</b>	Incorporate financial and schedule progress into standard suite of auto-generated project-level reports	Internal FP&C	\$	Moderate	High

### 1.2.3 Improvement Recommendations to Address Gaps with Leading Industry Practices

The improvement recommendations in the table below are designed to address the gaps between the FP&C Department's existing processes and leading industry practices.

	Recommendation	Implementation				Benefits
		Action	Priority	Cost	Difficulty	
<b>Capital Program Development and Management</b>	Develop Project Manager's Manual	Internal FP&C	1	\$\$	Moderate	High
	Develop standardized reporting requirements	Internal FP&C	2	\$	Moderate	High
	Integrate project management software	External	3	\$\$\$	High	High

	Recommendation	Implementation				Benefits
		Action	Priority	Cost	Difficulty	
	Develop framework for capturing lessons learned	Internal FP&C	1	\$	Low	Moderate
<b>Organizational Structure</b>	Support career development of Project Manager staff	Internal FP&C	1	\$	Low	High
	Develop and present training material	Internal FP&C	2	\$\$	Moderate	High
<b>Procurement and Contract Management</b>	Formalize the delivery method selection process	Internal FP&C	1	\$	Low	Moderate
	Refine contract templates	External	1	\$	Low	Moderate
<b>Project Development and Scope Management</b>	Develop guidance to address project development and change management	Internal FP&C	1	\$	Low	High
	Continue outreach efforts to campus clients	Internal FP&C	1	\$	Low	Moderate
<b>Cost Management</b>	Develop and enhance in-house cost estimating capabilities	Internal FP&C	2	\$\$	High	High
	Implement a standard process of evaluating contractor-developed cost estimates	Internal FP&C	1	\$	Moderate	High
	Integrate financial accounting system with Project Tracker	External	3	\$\$\$	High	High
	Improve capture and use of historical project cost data	Internal FP&C	2	\$	Moderate	Moderate

	Recommendation	Implementation				Benefits
		Action	Priority	Cost	Difficulty	
	Develop a standard process for verifying field progress	Internal FP&C	1	\$	Low	Low
<b>Schedule Management</b>	Develop a scheduling standard	Internal FP&C	1	\$	Moderate	Moderate
	Implement a standard process of evaluating contractor-developed schedules	Internal FP&C	1	\$	Low	Moderate
	Incorporate schedule progress of key project milestones into Project Tracker	External	2	\$\$	Moderate	Moderate
	Improve capture and use of historical project schedule data	Internal FP&C	2	\$	Moderate	Moderate
<b>Risk and Issue Management</b>	Develop and implement a scalable project risk management process	Internal FP&C	3	\$\$\$	High	High
	Develop a standard issue management process	Internal FP&C	2	\$	Moderate	High
<b>Communication and Document Management</b>	Develop a program-level report	Internal FP&C	2	\$\$	Moderate	High
	Develop and implement a document management process	Internal FP&C	1	\$	Low	Moderate
	Develop standardized document templates	Internal FP&C	1	\$	Moderate	Moderate
<b>Quality Management</b>	Empower the Director of Quality position to impart a quality focus to the capital program	External	3	\$	Moderate	Moderate



	Recommendation	Implementation				Benefits
		Action	Priority	Cost	Difficulty	
	Develop quality management guidance	Internal FP&C	1	\$	Low	Moderate

Attachment B

*UCF Facilities Planning and Construction Departmental  
Assessment*

April 19, 2017

# OBJECTIVES OF ENGAGEMENT

- Identification of gaps and risks between the Facilities Planning and Construction Department's "as-is" state with leading industry practices, Hill's lessons learned from similar engagements, and identified peer institutions.
- Development of organizational and process improvement recommendations.
- Prioritization of the improvement recommendations based on the resources required to implement the recommendation and beneficial impact of the recommendation on the Facilities Planning and Construction Department and UCF.
- Development of a high-level plan to implement the improvement recommendations.

# SCOPE AND METHODOLOGY OF ASSESSMENT



## Program Areas of Review

- Capital Program Management and Development
- Organizational Structure
- Procurement and Contract Management
- Project Development and Scope Management
- Cost Management
- Schedule Management
- Risk and Issue Management
- Communications and Document Management
- Quality Management

## Questions Examined

- What are Leading Practices
- UCF's Alignment with Leading Practices
- What is Facilities Doing Well
- What are Gaps and Risks with Current Practices
- Recommendations

# MOST SIGNIFICANT RECOMMENDATIONS



Program Areas	Recommendations
Capital Program Development and Management	<ul style="list-style-type: none"> <li>• Develop Project Management Manual</li> <li>• Develop enhanced process for planning and programming minor projects</li> <li>• Develop standardized reporting requirements</li> <li>• Develop framework for capturing lessons learned</li> <li>• Integrate project management software</li> </ul>
Organizational Structure	<ul style="list-style-type: none"> <li>• Address Project Manager workload situation</li> <li>• Support career development of Project Manager staff</li> <li>• Develop and present training material</li> </ul>
Procurement and Contract Management	<ul style="list-style-type: none"> <li>• Refine the General Contractor quotes process</li> <li>• Consider bundling more small projects</li> <li>• Ensure objective evaluation of proposals</li> <li>• Develop a detailed process for contract closeout and transition to operations</li> </ul>
Communication and Document Management	<ul style="list-style-type: none"> <li>• Incorporate financial and schedule progress into standard suite of auto generated project level reports</li> </ul>
Cost Management	<ul style="list-style-type: none"> <li>• Develop and enhance in-house cost estimating capabilities</li> <li>• Implement a standard process of evaluating contractor developed cost estimates</li> <li>• Integrate financial accounting system with Project Tracker</li> <li>• Improve capture and use of historical project cost data</li> <li>• Develop standard process for verifying field progress</li> </ul>
Schedule Management	<ul style="list-style-type: none"> <li>• Develop a scheduling standard</li> <li>• Implement a standard process of evaluating contractor developed schedules</li> <li>• Incorporate schedule progress of key project milestones into Project Tracker</li> <li>• Improve capture and use of historical project schedule data</li> </ul>
Risk and Issue Management	<ul style="list-style-type: none"> <li>• Develop and implement a scalable project risk management process</li> <li>• Develop a standard issue management process</li> </ul>



**Hill International**

## QUESTIONS

Peter J. Wallace  
Senior Vice President