UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
April 18, 2018
8:30 a.m.
President's Boardroom, Millican Hall, 3rd floor
Conference call in phone number 800-442-5794, passcode 463796

AGENDA

I.	**CALL TO ORDER**	Alex Martins *Chair, Finance and Facilities Committee*
II.	**ROLL CALL**	Tracy D. Slavik *Coordinator for Administrative Services for Administration and Finance Division*
III.	**MEETING MINUTES**	
	• Approval of the February 21, 2018, and March 22, 2018, Finance and Facilities Committee meetings minutes	Chair Martins
IV.	**NEW BUSINESS**	Chair Martins
	• Health Sciences and College of Nursing Building at Lake Nona (FFC-1)	Deborah C. German *Vice President for Medical Affairs and Dean of the UCF College of Medicine* Mary Lou Sole *Dean of the UCF College of Nursing* Jeanette C. Schreiber *Associate Vice President for Medical Affairs and Chief Legal Officer for the UCF College of Medicine*

- Direct Support Organizations' 2017-18 Second-Quarter Financial Reports (INFO-1) — William F. Merck II, *Vice President for Administration and Finance and Chief Financial Officer*; John C. Pittman, *Associate Vice President for Administration and Finance, Debt Management*
  - UCF Athletic Association and UCF Stadium Corporation
  - UCF Convocation Corporation
  - UCF Finance Corporation
  - UCF Foundation
  - UCF Limbitless Solutions
  - UCF Research Foundation

- University and Direct Support Organization Debt Report (INFO-2) — William F. Merck II; John C. Pittman

- University Final Audited Financial Report 2016-17 (INFO-3) — William F. Merck II; Christina Tant, *Assistant Vice President and University Controller*

- Arecibo Observatory Update Discussion — Elizabeth Klonoff, *Vice President for Research and Dean of the College of Graduate Studies*

V. OTHER BUSINESS — Chair Martins

VI. CLOSING COMMENTS — Chair Martins

UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
President's Boardroom, Millican Hall, 3rd floor
February 21, 2018

MINUTES

CALL TO ORDER

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

MINUTES APPROVAL

The minutes of the December 13, 2017, and January 18, 2018, Finance and Facilities Committee meetings were approved as submitted.

NEW BUSINESS

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, 2017 (INFO-2)

Christina Tant, Assistant Vice President and University Controller, presented the UCF Investments Quarterly Report for the quarter that ended December 31, 2017.

University Operating Budget Report Ended December 31, 2017 (INFO-3)

Tant presented the University Operating Budget Report for the quarter that ended December 31, 2017.

Potential UCF Foundation Facility Purchase Discussion

Tom Cavanagh, Vice Provost for Digital Learning, and Dorcas Wilkinson, Senior Associate Vice President for Advancement, Administration, discussed the UCF Foundation's plan to acquire the L3 building in Research Park. The Foundation will use its own funds to purchase the building and make the necessary capital improvements. The UCF Center for Distributed Learning will in turn prepay to lease from the Foundation approximately 30,000 square feet for five years, using funds currently in held reserves, and relocate the majority of its staff to that space. The UCF Online Connect Center also will occupy an additional 2,500 square feet in the building. This item will be brought back before the committee when more details have been finalized.

Chair Martins adjourned the Finance and Facilities Committee meeting at 9:15 a.m.

Respectfully submitted: William F. Merck II 3-29-18

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

Date

UNIVERSITY OF CENTRAL FLORIDA

Board of Trustees
Finance and Facilities Committee Meeting
FAIRWINDS Alumni Center
March 22, 2018

MINUTES

CALL TO ORDER

Trustee Alex Martins, chair of the Finance and Facilities Committee, called the meeting to order at 11:50 a.m. Committee members Robert Garvy, William Self, David Walsh, and Bill Yeargin were present. Committee member John Sprouls attended by teleconference. Chairman Marcos Marchena was present. Trustees Ken Bradley, Joseph Conte, and Beverly Seay were present.

NEW BUSINESS

UCF Finance Corporation Unrestricted Funds Transfer (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 Finance Corporation to transfer an amount not to exceed $800,000 as an unrestricted gift to the university. This funds transfer will allow for necessary life safety repairs at Spectrum Stadium prior to the start of the 2018 football season. The chair of the Finance and Facilities Committee, with approval of the university president, will recommend the use of the funds. The committee unanimously approved the request.

Registration to do Business in Puerto Rico (FFC-2)

Elizabeth Klonoff, Vice President for Research and Dean of the College of Graduate Studies, and Sandra M. Sovinski, Senior Associate General Counsel, requested approval of the registration of the University of Central Florida Board of Trustees to do business in Puerto Rico, including taking whatever actions are necessary for UCF to apply for eligible tax exemptions in Puerto Rico to facilitate UCF's operation of the Arecibo Observatory.

The National Science Foundation issued a series of awards to UCF, effective February 15, 2018, to transition operation and management of the Arecibo Observatory from the current operator to UCF. In order for UCF to perform certain activities related to the observatory, UCF will need to be registered to do business in Puerto Rico, and a board resolution is required to be included in the filing. The committee unanimously approved the registration to do business in Puerto Rico and the required board resolution. The committee also requested future updates at committee meetings on the status of the Arecibo Observatory's operation transition to UCF.

Chair Martins adjourned the Finance and Facilities Committee meeting at 12:10 p.m.

Respectfully submitted: William F. Merck II 4.4.18

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

Date

ITEM: FFC-1

University of Central Florida
Board of Trustees
Finance and Facilities Committee

SUBJECT: Health Sciences and College of Nursing Building at Lake Nona

DATE: April 18, 2018

PROPOSED COMMITTEE ACTION

Approve a concept that will lead to an operating lease for a future Health Sciences and College of Nursing building in Lake Nona and a commitment to purchase schematic drawings from the developer at cost, not to exceed $500,000, if UCF chooses not to lease the building.

BACKGROUND INFORMATION

The College of Nursing has outgrown its current space in Research Park. University representatives from the College of Medicine, College of Nursing, and university leadership have been exploring potential approaches to provide a Lake Nona location for the College of Nursing. It is proposed that UCF pursue the opportunity to lease a future Health Sciences and College of Nursing building in Lake Nona that will be developed by Alter+Care, a nationally known developer of educational and health care buildings.

The College of Nursing and other UCF health-related programs would benefit from being located on the UCF Health Sciences campus by enabling inter-professional education, multidisciplinary research collaborations, and multiple clinical practice opportunities for students and faculty.

Effective July 1, 2018, UCF will begin implementing its Academic Health Sciences Center, a new organizational structure to advance collaboration and growth across all of the UCF health sciences and professions.

Approval by the UCF Finance and Facilities Committee and the Board of Trustees is requested to authorize the Academic Health Sciences Center, College of Nursing, and university administration to fully develop the proposed operating lease terms.

Supporting documentation: Attachment A: Presentation

Prepared by: Jeanette C. Schreiber, Associate Vice President for Medical Affairs and Chief Legal Officer for the UCF College of Medicine

Submitted by: Deborah C. German, Vice President for Medical Affairs and Dean of the UCF College of Medicine and
Mary Lou Sole, Dean of the UCF College of Nursing

Attachment A

Bringing UCF College of Nursing to Lake Nona

Proposed Operating Lease Arrangement for Future Health Sciences and College of Nursing Building
April 18, 2018

UCF

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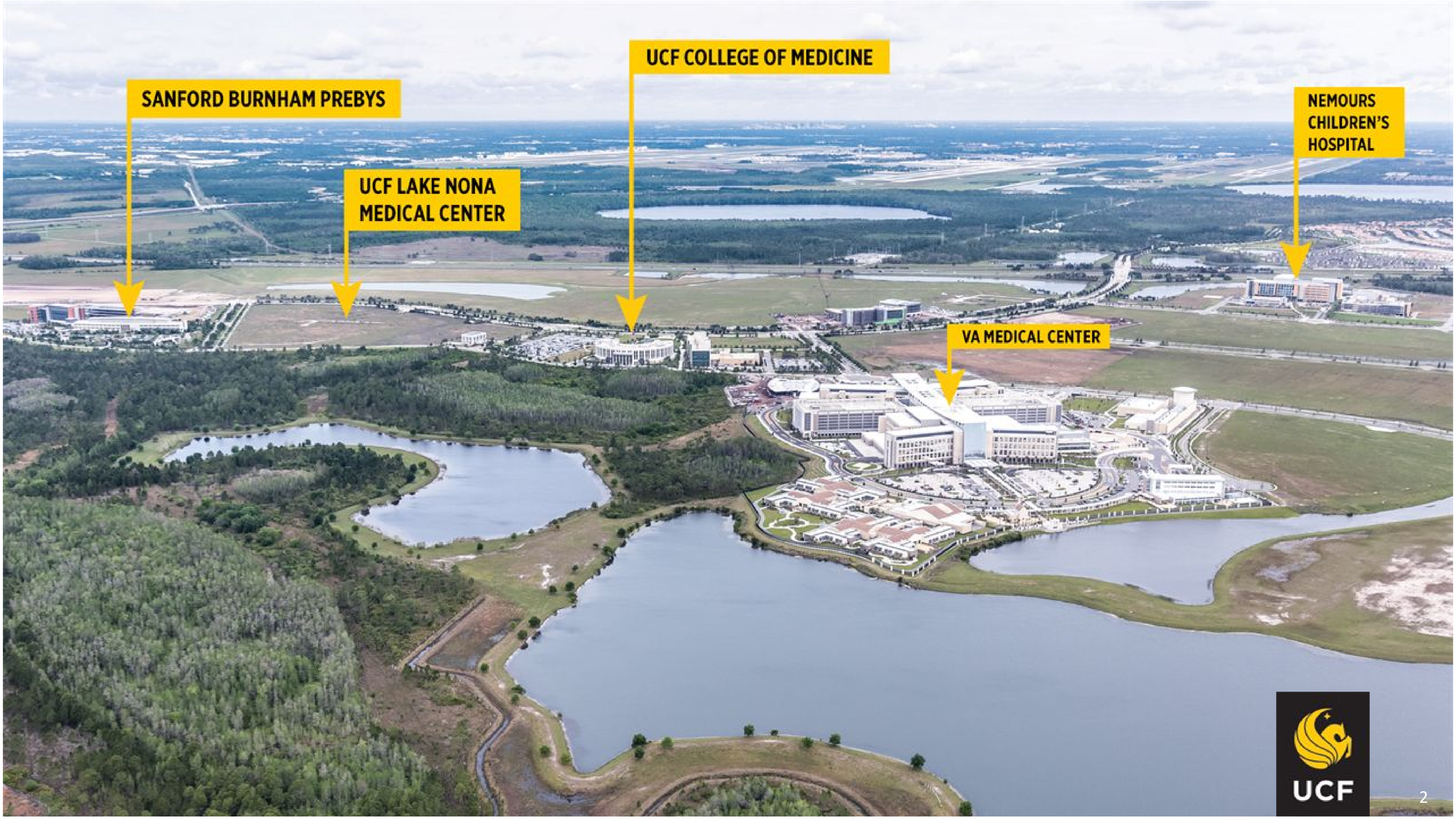
UCF COLLEGE OF MEDICINE
SANFORD BURNHAM PREBYS
NEMOURS CHILDREN'S HOSPITAL
UCF LAKE NONA MEDICAL CENTER
VA MEDICAL CENTER
UCF
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Need and Opportunity

- Moving the College of Nursing to Lake Nona benefits the nursing program and the new UCF Academic Health Sciences Center
- College of Nursing has outgrown its current location
- No university or state capital funds are available to build a new Health Sciences and College of Nursing building
- Alter+Care can provide an operating lease for a Health Sciences and College of Nursing building adjacent to the College of Medicine

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The Time Is Right

- New Academic Health Sciences Center begins July 1
- Creates new organizational structure for health-related colleges and programs
- Advances interdisciplinary learning and research and accelerates new program development
- Faculty and students can leverage opportunities at new UCF hospital, the proposed cancer center, and existing Lake Nona partners
- Team-based education best prepares graduates for today's healthcare careers

UCF

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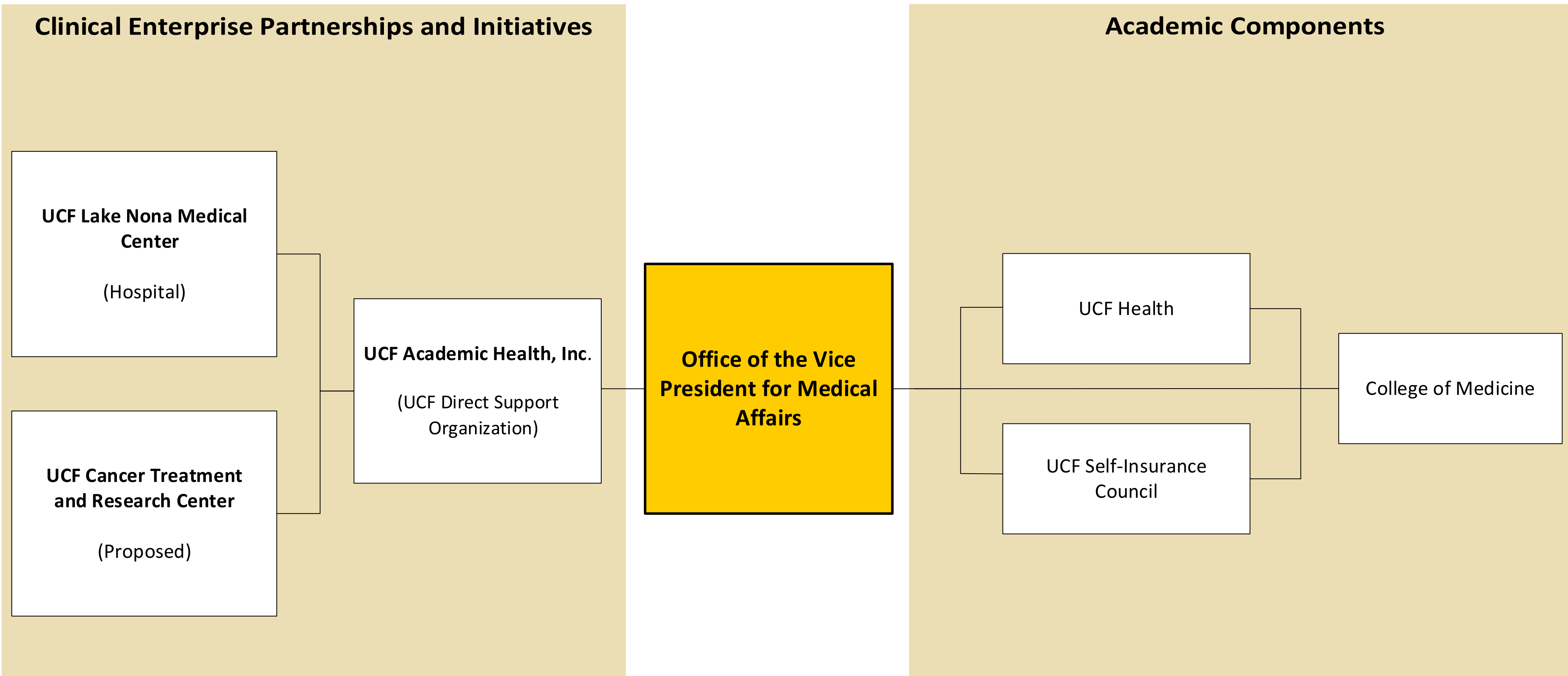
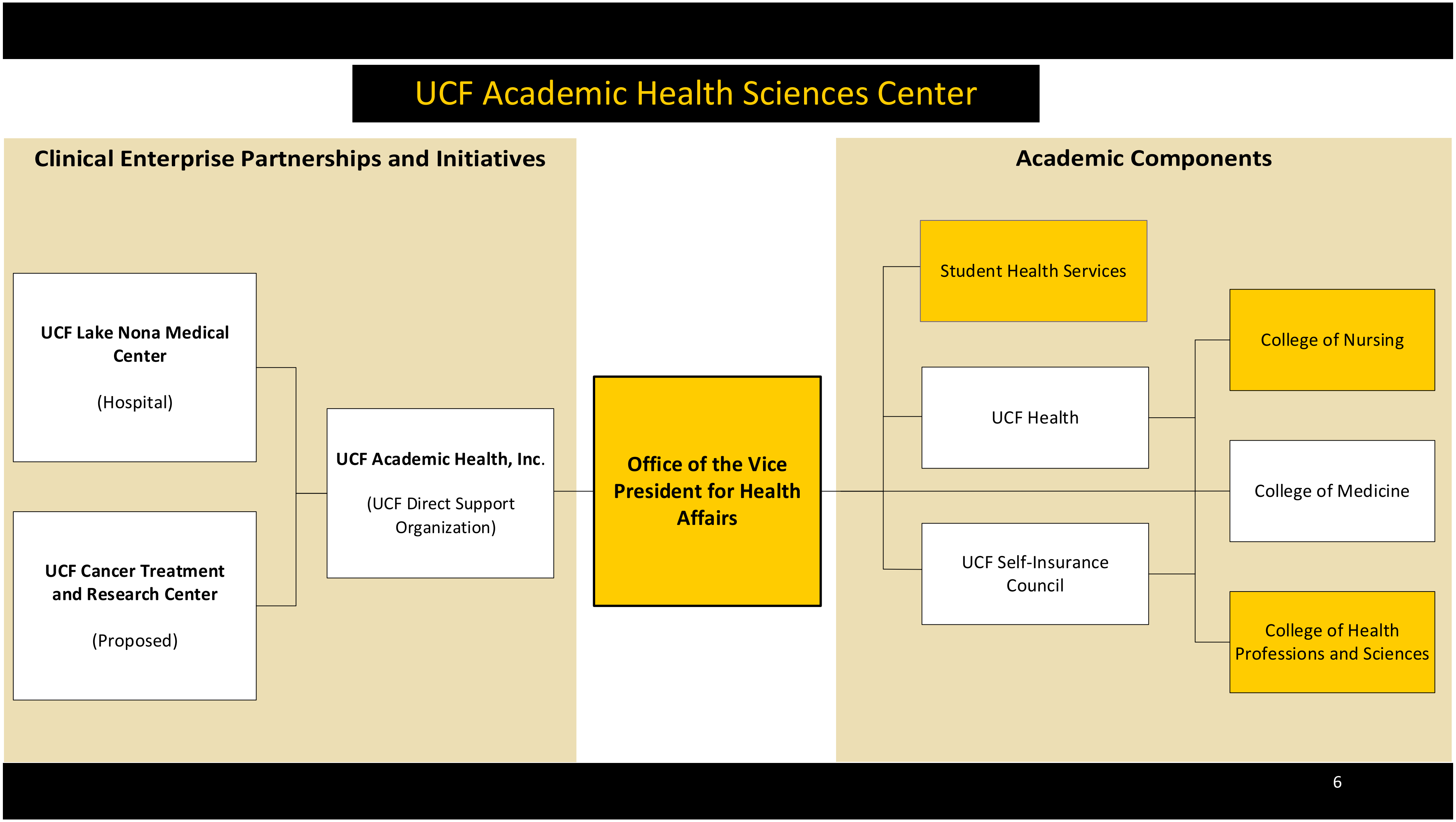
UCF Academic Health Sciences Center




UCF Academic Health Sciences Center
Clinical Enterprise Partnerships and Initiatives
UCF Lake Nona Medical Center
(Hospital)
UCF Cancer Treatment and Research Center
(Proposed)
UCF Academic Health, Inc.
(UCF Direct Support Organization)
Office of the Vice President for Health Affairs
Academic Components
Student Health Services
UCF Health
UCF Self-Insurance Council
College of Nursing
College of Medicine
College of Health Professions and Sciences
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Alter+Care

- Nationally recognized real estate company
- 57 years of experience
- Develops and finances healthcare, educational, and outpatient facilities
- Existing UCF partner
- Engaged Hunton Brady for preliminary design

ALTER+CARE

UCF

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Proposed Health Sciences and College of Nursing Building

HuntonBrady

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Proposed Initial Site Plan

HuntonBrady

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Need

- College of Nursing has nearly 3,000 students across three campuses
- Research Park location can't accommodate enrollment growth, new research initiatives, and team learning
- New facility will help achieve pre-eminence metrics, including time-to-degree and Ph.D. graduates
- Florida is fourth-largest employer of registered nurses
- State expects nursing shortage of 50,000 registered nurses by 2025

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Opportunity

- More UCF nursing degrees awarded
  - Nursing Pre-Licensure BSN: 40+ graduates per year—32 percent increase
  - Nursing graduate degrees: 30+ degrees per year—38 percent increase
  - Improved time-to-degree for first-time-in-college nursing students
- Improved rankings for nursing and health professions
- Stronger interprofessional education
- Increased support for faculty clusters (e.g., disability, aging, and technology)
- Growth in simulation programs for teaching, research, and practice
- Expansion of business model for faculty practice

UCF

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Proposed Operating Lease Arrangement

- UCF Real Estate Foundation sells one of 50 acres of Lake Nona gift land to Alter+Care at fair market value
  - Land remains restricted for Academic Health Sciences Center use – Tavistock approves
- Alter+Care will design, build, and finance 150,000 square-foot building
  - 90,000 square feet for College of Nursing
  - 60,000 square feet reserved for expansion and future Academic Health Sciences Center use
- UCF has 25-year operating lease with Alter+Care with renewal options
- UCF option to purchase land and building at any time for fair value
- UCF Foundation and College of Nursing's target to raise $6 million over five years may reduce costs for furnishings and equipment

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Alter+Care's Current Rent Projections

Assumes 150,000-square-foot building, including 90,000 square feet fully built out	
Net Lease Rate 25-year initial term (1.5 percent annual escalator) · With renewal options	$17 per square foot or $2,550,000
Estimated operating expenses UCF will maintain building	$10 per square foot or $1,500,000
Occupancy expenses year one	$4,050,000

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Next Steps

- Alter+Care proceeds with:
  - Schematic drawings of building
  - Developing final terms for operating lease
- UCF Real Estate Foundation contracts to sell one acre with closing conditioned on:
  - BOT approval of
    - Lease rate and budget
    - Terms of operating lease
    - Building design
- UCF commits to purchase schematic drawings at cost, not to exceed $500,000, if it decides not to lease the building

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Potential Timeline

Approval of BOT to develop operating lease terms	May 24, 2018
Develop of schematic drawings and due diligence	June – October 2018
Finalize operating lease terms	October – December 2018
Commence construction by	January – June 2020
Target opening before	Spring Semester 2022

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Requested Action

Recommend that the Board of Trustees:

- Approve a concept that will lead to a potential operating lease arrangement for a future Health Sciences and College of Nursing building in Lake Nona
- Approve a commitment to purchase schematic drawings from the developer at cost, not to exceed $500,000, if UCF chooses not to lease the building

UCF

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ITEM: INFO-1

University of Central Florida
Board of Trustees
Finance and Facilities Committee

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

DATE: April 18, 2018

For information only.

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

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

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

Attachment A

UCF Athletic Association and UCF Stadium Corporation
Consolidated Statement of Operations
For the quarter ended December 31, 2017

	UCF Athletic Association Actual 2017-18	UCF Stadium Corporation Actual 2017-18	Combined Actual 2017-18	UCF Athletic Association Budget 2017-18	UCF Stadium Corporation Budget 2017-18	Combined Budget 2017-18	Variance to Budget Favorable (Unfavorable)		UCF Athletic Association Actual 2016-17	UCF Stadium Corporation Actual 2016-17	Combined Actual 2016-17	Variance to Prior Year Favorable (Unfavorable)	
Operating revenues													
Athletic events, including premium seating	$ 5,714,087	$ 1,956,540	$ 7,670,627	$ 5,138,796	$ 1,842,007	$ 6,980,803	689,824	9.88 %	$ 5,252,405	$ 2,083,668	$ 7,336,073	$ 334,554	4.56 %
University allocations	21,658,659	-	21,658,659	21,692,520	-	21,692,520	(33,861)	(0.16)%	20,626,763	-	20,626,763	1,031,896	5.00 %
Sponsorship	1,313,393	750,000	2,063,393	1,303,957	750,000	2,053,957	9,436	0.46 %	1,565,753	750,000	2,315,753	(252,360)	(10.90)%
Contributions	750,639	11,480	762,119	754,512	30,000	784,512	(22,393)	(2.85)%	346,723	10,000	356,723	405,396	113.64 %
Other	325,892	62,269	388,161	325,314	100,000	425,314	(37,153)	(8.74)%	212,027	97,263	309,290	78,871	25.50 %
Total operating revenues	29,762,670	2,780,288	32,542,958	29,215,099	2,722,007	31,937,106	605,852	1.90 %	28,003,671	2,940,931	30,944,602	1,598,356	5.17 %
Operating expenses													
Scholarships	4,105,535	-	4,105,535	4,144,700	-	4,144,700	39,165	0.94 %	4,593,354	-	4,593,354	487,819	10.62 %
Employee compensation	8,878,765	-	8,878,765	8,821,409	-	8,821,409	(57,357)	(0.65)%	9,420,046	-	9,420,046	541,281	5.75 %
Sport operations	4,453,214	-	4,453,214	4,428,702	-	4,428,702	(24,512)	(0.55)%	3,585,102	-	3,585,102	(868,112)	(24.21)%
Support operations	4,691,495	-	4,691,495	4,708,183	-	4,708,183	16,688	0.35 %	4,095,930	-	4,095,930	(595,565)	(14.54)%
Other [1]	2,095,611	106,035	2,201,646	1,359,641	134,686	1,494,327	(707,319)	(47.33)%	772,874	24,199	797,073	(1,404,573)	(176.22)%
Total operating expenses	24,224,620	106,035	24,330,655	23,462,634	134,686	23,597,321	(733,334)	(3.11)%	22,467,306	24,199	22,491,505	(1,839,150)	(8.18)%
Net operating income	5,538,050	2,674,253	8,212,303	5,752,465	2,587,321	8,339,786	(127,482)	(1.53)%	5,536,365	2,916,732	8,453,097	(240,794)	(2.85)%
Nonoperating revenues (expenses)													
Net transfers to Stadium Corporation from UCFAA	(668,061)	668,061	-	(690,000)	690,000	-	-	-	(813,277)	813,277	-	-	-
Interest income	-	33,677	33,677	-	15,000	15,000	18,677	124.52 %	-	19,117	19,117	14,560	76.16 %
Interest (expense)	(106,310)	(318,952)	(425,262)	(108,000)	(350,000)	(458,000)	32,738	7.15 %	(68,112)	(326,507)	(394,619)	(30,643)	(7.77)%
Capital project donations - Athletics [2]	2,429,950	-	2,429,950	1,000,400	-	1,000,400	1,429,550	142.90 %	26,250	-	26,250	2,403,700	9156.95 %
Restricted accounts revenue [3]	405,740	-	405,740	55,715	-	55,715	350,025	628.24 %	476,180	-	476,180	(70,440)	(14.79)%
Restricted accounts outlay	(133,915)	-	(133,915)	(105,913)	-	(105,913)	(28,002)	(26.44)%	(69,571)	-	(69,571)	(64,344)	(92.49)%
Capital projects outlay	(520,947)	-	(520,947)	(528,064)	-	(528,064)	7,117	1.35 %	(211)	-	(211)	(520,736)	(246794.31)%
Total nonoperating revenues (expenses)	1,406,456	382,786	1,789,243	(375,862)	355,000	(20,862)	1,810,105	8676.65 %	(448,741)	505,887	57,147	1,732,097	3030.95 %
Net increase (decrease) from operations	**$ 6,944,506**	**$ 3,057,040**	**$ 10,001,546**	**$ 5,376,603**	**$ 2,942,321**	**$ 8,318,924**	**$ 1,682,622**		**$ 5,087,624**	**$ 3,422,620**	**$ 8,510,244**	**$ 1,491,303**	
Debt service:													
Principal	$ 20,480	$ -	$ 20,480	$ 20,000	$ -	$ 20,000	$ 480	(2.40)%	$ 26,456	$ -	$ 26,456	$ 5,976	22.59 %
Interest	106,310	318,952	425,262	108,000	350,000	458,000	(32,738)	7.15 %	68,112	326,507	394,619	(30,643)	(7.77)%
Total Debt Service	**$ 126,791**	**$ 318,952**	**$ 445,742**	**$ 128,000**	**$ 350,000**	**$ 478,000**	**$ (32,258)**	**4.75 %**	**$ 94,568**	**$ 326,507**	**$ 421,075**	**$ (24,667)**	**14.82 %**

[1] Other expenses are higher than budget and the prior-year total due to improvements made to the stadium video board, additional premium seating improvements, and costs associated with football coach transitions.

[2] Capital donations are higher than originally budgeted due to earlier receipt than planned.

[3] Restricted account revenue is higher than budget due to Football Excellence Fund donations exceeding budgeted expectations.

Attachment B

UCF Convocation Corporation
Statement of Operations
For the quarter ended December 31, 2017

	2017-18				2016-17			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Housing Operations								
Revenues								
Apartment rentals	$ 8,762,686	$ 8,825,000	$ (62,314)	(0.7)%	$ 8,779,415	$ 8,750,000	$ 29,415	0.3 %
Parking	518,194	518,194	-	0.0 %	518,194	518,194	-	0.0 %
Other	48,969	37,500	11,469	30.6 %	38,177	3,750	34,427	918.1 %
Total revenues	9,329,849	9,380,694	(50,845)	(0.5)%	9,335,786	9,271,944	63,842	0.7 %
Total expenses	3,781,904	3,828,095	46,191	1.2 %	3,223,311	3,537,657	314,346	8.9 %
Net increase from housing operations	5,547,945	5,552,599	(4,654)	(0.1)%	6,112,475	5,734,287	378,188	6.6 %
Retail Operations								
Total revenues	913,529	939,000	(25,471)	(2.7)%	956,952	962,171	(5,219)	(0.5)%
Total expenses	266,133	339,777	73,644	21.7 %	242,706	307,367	64,661	21.0 %
Net increase from retail operations	647,396	599,223	48,173	8.0 %	714,246	654,804	59,442	9.1 %
Arena Operations								
Revenues								
Event related [1]	4,110,317	3,107,717	1,002,600	32.3 %	2,754,180	3,224,131	(469,951)	(14.6)%
Premium seating and sponsorship	1,005,660	1,000,482	5,178	0.5 %	902,106	1,010,000	(107,894)	(10.7)%
Rental Income	2,467,500	2,467,500	-	0.0 %	2,467,500	2,467,500	-	0.0 %
Other	56,602	94,335	(37,733)	(40.0)%	96,891	97,439	(548)	(0.6)%
Total revenues	7,640,079	6,670,034	970,045	14.5 %	6,220,677	6,799,070	(578,393)	(8.5)%
Expenses								
Direct event [1]	3,703,340	2,829,925	(873,415)	(30.9)%	2,187,744	2,573,645	385,901	15.0 %
Operating and indirect event	1,737,268	1,747,137	9,869	0.6 %	1,817,846	1,923,057	105,211	5.5 %
Direct premium seating	180,000	199,895	19,895	10.0 %	141,680	151,680	10,000	6.6 %
Total expenses	5,620,608	4,776,957	(843,651)	(17.7)%	4,147,270	4,648,382	501,112	10.8 %
Net increase (decrease) from arena operations	2,019,472	1,893,077	126,395	6.7 %	2,073,407	2,150,688	(77,281)	(3.6)%
Net increase from total operations	$ 8,214,813	$ 8,044,899	$ 169,914	2.1 %	$ 8,900,128	$ 8,539,779	$ 360,349	4.2 %
Debt Service								
Principal	$ 7,245,000				$ 7,045,000			
Interest	1,755,559				1,801,621			
Total Debt Service	**$ 9,000,559**				**$ 8,846,621**			

[1] Concerts held had larger audiences than originally anticipated, resulting in more event-related income and expenses than planned.

Attachment C

UCF Finance Corporation
Statement of Operations
For the quarter ended December 31, 2017

	2017-18				2016-17			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
University transfers [1]	$ 1,039,530	$ 1,636,193	$ (596,663)	(36.5)%	$ 1,321,878	$ 1,313,039	$ 8,839	0.7 %
Interest	18,721	3,250	15,471	476.0 %	3,293	-	3,293	100.0 %
Total revenues	1,058,251	1,639,443	(581,192)	(35.5)%	1,325,171	1,313,039	12,132	0.9 %
Expenses								
Operating	18,388	20,615	2,227	10.8 %	17,092	15,300	(1,792)	(11.7)%
Interest [1]	588,926	1,145,458	556,532	48.6 %	1,167,726	1,144,406	(23,320)	(2.0)%
Debt related [1]	450,937	473,370	22,433	4.7 %	140,353	153,333	12,980	8.5 %
Total expenses	1,058,251	1,639,443	581,192	35.5 %	1,325,171	1,313,039	(12,132)	(0.9)%
Net change from operations	-	$ -	$ -		$ -	$ -	$ -	

	2017-18	2016-17
Debt Service		
Principal	$ 1,490,000	$ 1,415,000
Interest	588,926	1,167,726
Total Debt Service	$ 2,078,926	$ 2,582,726

[1] Budgets were set based on previous debt service estimates. Savings are expected because of debt refunding in September 2017.

Attachment D

UCF Foundation
Unrestricted Operations
For the quarter ended December 31, 2017

	2017 - 18				2016 - 17			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Unrestricted revenues								
University and other related support	$ 7,219,175	$ 7,015,856	$ 203,319	2.9 %	$ 7,150,139	$ 7,027,240	$ 122,899	1.7%
Gifts, fees, and investment earnings	2,852,756	2,728,500	124,256	4.6 %	2,649,723	2,405,653	244,070	10.1%
Real estate operations	1,472,500	1,472,500	-	0.0 %	1,191,115	1,089,000	102,115	9.4%
Total unrestricted revenue	11,544,431	11,216,856	327,575	2.9 %	10,990,977	10,521,893	469,084	4.5%
Unrestricted expenses								
Academic and university support	1,677,594	1,855,650	178,056	9.6 %	2,104,058	1,859,701	(244,357)	(13.1)%
Development, alumni relations, and operations	8,438,593	9,198,376	759,783	8.3 %	9,507,440	10,049,143	541,703	5.4%
Total unrestricted expenses	10,116,187	11,054,026	937,839	8.5 %	11,611,498	11,908,844	297,346	2.5%
Net increase (decrease) from unrestricted operations	$ 1,428,244	$ 162,830	$ 1,265,414	777.1 %	$ (620,521)	$ (1,386,951)	$ 766,430	55.3 %
Debt Service								
Principal	$ 1,230,000				$1,160,000			
Interest	404,338				588,322			
Total Debt Service	$ 1,634,338				$ 1,748,322			

Attachment E

Limbitless Solutions Inc.

Statement of Operations

For the quarter ended December 31, 2017

	2017-18[1]			
	Actual	**Budget**	**Variance Favorable (Unfavorable)**	
Revenues				
Donations	$ 149,361	$ 37,500	$ 111,861	298.3 %
Sponsorships	-	37,500	(37,500)	(100.0)%
Total revenues	149,361	75,000	74,361	99.1 %
Expenses				
Operating expenses	41,773	48,400	6,627	13.7 %
Total expenses	41,773	48,400	6,627	13.7 %
Net change from operations	$ 107,588	$ 26,600	$ 80,988	304.5 %

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

Attachment F

UCF Research Foundation
Statement of Operations
For the quarter ended December 31, 2017

	2017-18				2016-17			
	Actual	Budget	Variance Favorable (Unfavorable)		Actual	Budget	Variance Favorable (Unfavorable)	
Revenues								
Operating revenue[1]	$ 5,329,882	$ 4,735,000	$ 594,882	12.6 %	$ 4,315,554	$ 3,490,000	$ 825,554	23.7 %
Management fees and other	373,215	311,250	61,965	19.9 %	352,248	270,000	82,248	30.5 %
Total revenues	5,703,097	5,046,250	656,847	13.0 %	4,667,802	3,760,000	907,802	24.1 %
Expenses								
Total operating expenses	5,361,390	4,805,250	(556,140)	(11.6)%	4,605,612	3,693,867	(911,745)	(24.7)%
Net increase from operations	$ 341,707	$ 241,000	$ 100,707	41.8 %	$ 62,190	$ 66,133	$ (3,943)	(6.0)%

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

ITEM: INFO-2

University of Central Florida
Board of Trustees
Finance and Facilities Committee

SUBJECT: University and Direct Support Organization Debt Report

DATE: April 18, 2018

For information only.

Supporting documentation: Attachment A: University and Direct Support Organization 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 Direct Support Organization Debt
By Entity
As of December 31, 2017

	Debt Outstanding Fixed	Debt Outstanding Variable	Debt Outstanding Total	Debt Service 2018	Coverage Ratio Actual	Coverage Ratio Required	Sources of Payment
University							
Health Center - revenue bonds	$ 3,595,000	$ -	$ 3,595,000	$ 616,828	27.79	1.20	Health fees
Parking - revenue bonds	27,470,000	-	27,470,000	4,550,958	3.99	1.20	Transportation access fees, decals, fines
Housing - revenue bonds	87,420,000	-	87,420,000	8,782,331	1.68	1.20	Room rents
Total University	118,485,000	-	118,485,000	13,950,117			
UCF Hospitality School Student Housing Foundation							
Housing - revenue bonds	10,565,000	-	10,565,000	1,490,745 [1]			Total project revenues
UCF Convocation Corporation							
Housing and retail revenue COPs	104,395,000	-	104,395,000	8,152,274	1.65	1.20	Total project revenues
Arena and retail revenue bonds	76,785,000	-	76,785,000	6,014,323	1.37	1.20	Total project revenues
Total UCF Convocation Corporation	181,180,000	-	181,180,000	14,166,596			
UCF Stadium Corporation							
Stadium revenue bonds	42,365,000	-	42,365,000	3,292,588			Stadium revenues, university resources
Student Leadership Center	3,258,000		3,258,000	336,124			Pledged donations
Total UCF Stadium Corporation	45,623,000	-	45,623,000	3,628,712	3.76	1.20	
UCF Finance Corporation							
Burnett Biomedical Research facility bonds	63,359,000	-	63,359,000	2,523,146 [2]	5.55	1.25	Sponsored programs
UCF Athletics Association							
Due to university (principal only)		5,339,507	5,339,507	500,000			UCFAA and stadium restricted surplus funds
Fifth Third lines of credit		6,935,695	6,935,695	140,875			UCFAA revenues, Title IX funds
Total UCF Athletics Association	-	12,275,202	12,275,202	640,875			
UCF Foundation							
Benton and Cole Trusts	1,958,020	-	1,958,020	1,999,340			Property rentals, pledge revenues
BB&T	19,975,000	-	19,975,000	2,632,060	3.60	1.50	Property rentals
Total UCF Foundation	21,933,020	-	21,933,020	4,631,400			
Total University and DSO Debt	$ 441,145,020	$ 12,275,202	$ 453,420,222	$ 41,031,592			

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

[2] The Finance Corporation bonds were refinanced in September 2017 to a 20-year term loan with a 15-year interest rate reset. As a result of the refinancing, the debt service shown for 2018 is lower than the future annual debt service average of approximately $4 million.

Lines of Credit

	Maximum Amount	Outstanding	Available
UCF Athletics Association			
Fifth Third lines of credit	10,925,000	6,935,695	3,989,305

Variable Rate Debt

	Outstanding	Rate
UCF Athletics Association		
Fifth Third lines of credit	6,935,695	2.26%
University loan	5,339,507	2.72%
Total variable debt outstanding	$ 12,275,202	

ITEM: INFO-3

University of Central Florida
Board of Trustees
Finance and Facilities Committee

SUBJECT: University Final Audited Financial Report 2016-17

DATE: April 18, 2018

For information only.

Supporting documentation: Attachment A: University Audited Financial Report

Prepared by: Christina Tant, Assistant Vice President and University Controller

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

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2018-153
March 2018

UNIVERSITY OF CENTRAL FLORIDA

For the Fiscal Year Ended
June 30, 2017

Sherrill F. Norman, CPA
Auditor General

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 Yuling Liu, CPA, and the supervisor was Brenda C. Racis, CPA.

Please address inquiries regarding this report to Jaime Hoelscher, CPA, Audit Manager, by e-mail at 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:

FLAuditor.gov

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

TABLE OF CONTENTS

SUMMARY

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, 2017. 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.

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.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

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, 2017, 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, 10 percent, and 0.4 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 opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, are 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, 2017, 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 March 19, 2018, 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 effectiveness of 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

Sherrill F. Norman, CPA
Tallahassee, Florida
March 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

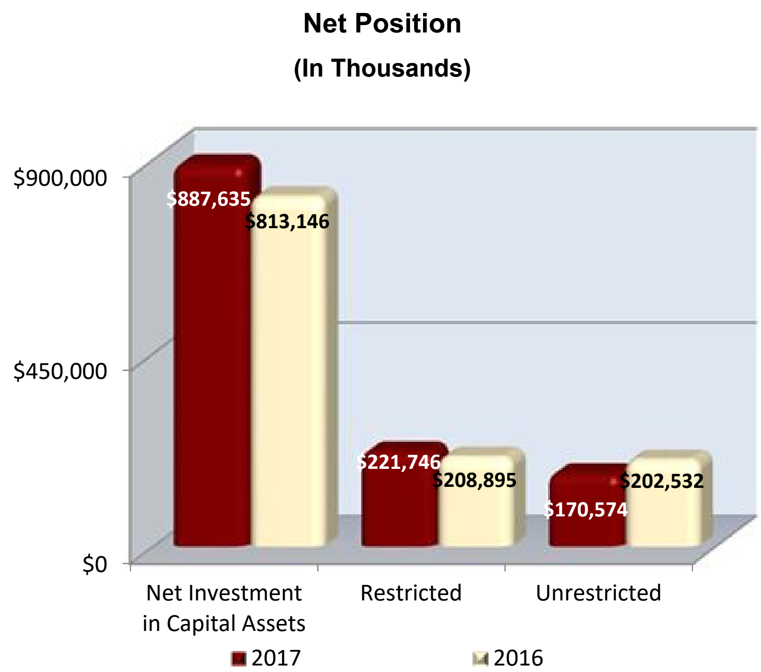
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2017, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto,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

FINANCIAL HIGHLIGHTS

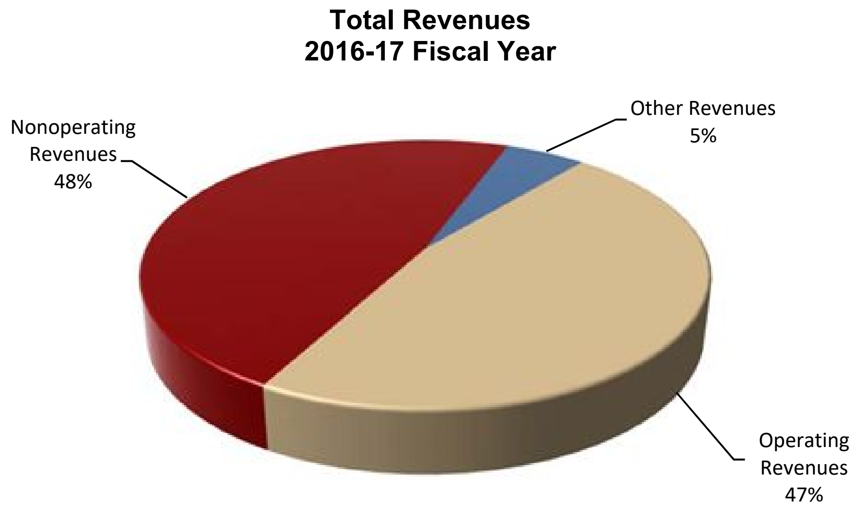
The University's assets and deferred outflows of resources totaled $1.9 billion at June 30, 2017. This balance reflects a $140.4 million, or 7.9 percent, increase as compared to June 30, 2016, primarily from higher construction activity and pension related deferred outflows. Liabilities and deferred inflows of resources increased by $85 million, or 15.1 percent, at June 30, 2017, resulting primarily from increased net pension liabilities. As a result, the University's net position increased by $55.4 million, resulting in a year-end balance of $1.3 billion.

The University's operating revenues totaled $523 million for the 2016-17 fiscal year, representing a 6.1 percent increase compared to the 2015-16 fiscal year due mainly to increases in student tuition and fees and auxiliary revenues. Operating expenses totaled $1 billion for the 2016-17 fiscal year, representing an increase of 8.2 percent as compared to the 2015-16 fiscal year due mainly to increases in compensation and employee benefits.

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



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



OVERVIEW OF FINANCIAL STATEMENTS

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

- Blended Component Units:

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

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

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

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

Deferred outflows of resources increased by $45.5 million, or 60.2 percent. Deferred inflows of resources decreased by $16.8 million, or 92.1 percent. In accordance with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, annual net differences between projected and actual earnings on pension plan investments are deferred and recognized as a component of pension expense on a straight-line basis over a 5-year period. As of June 30, 2016, cumulative net differences for FRS Pension Plan investments were deferred inflows of resources of $16.6 million. As of June 30, 2017, these cumulative net differences are now deferred outflows of resources of $36.5 million.

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

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

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

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

(In Thousands)

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

Operating Revenues

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

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

Operating Revenues
For the Fiscal Years

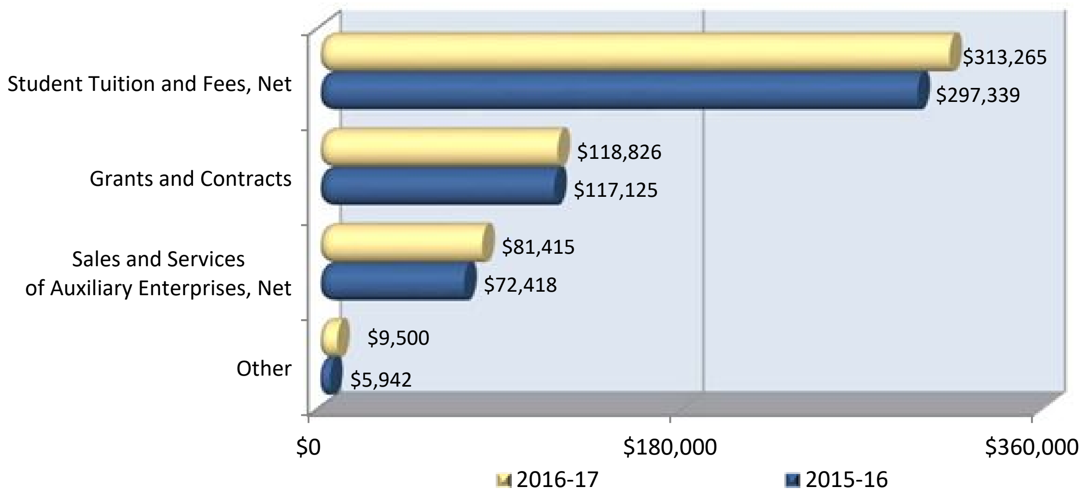
(In Thousands)

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

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

Operating Revenues

(In Thousands)



Total operating revenues increased by $30.2 million, or 6.1 percent. Net student tuition and fees increased by $15.9 million, or 5.4 percent, and was primarily due to an increase in student credit hours and nonresident student fees. Net sales and services of auxiliary enterprises increased by $9 million, or 12.4 percent, and was primarily due to higher revenues from the College of Medicine residency program.

Operating Expenses

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

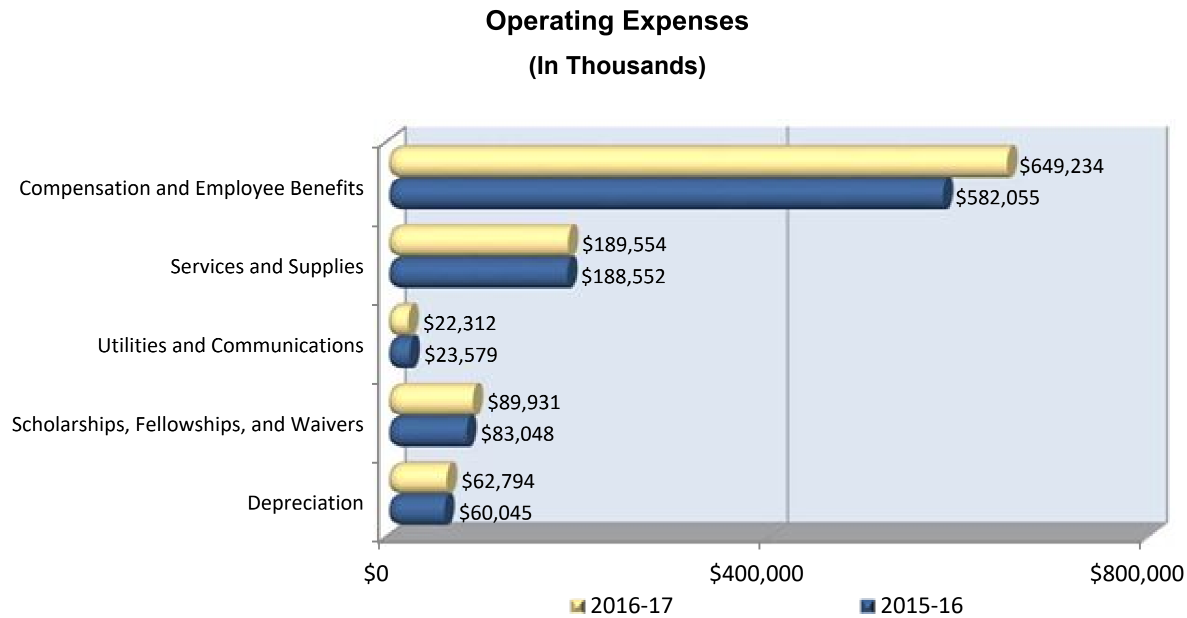
The following summarizes operating expenses by natural classification for the 2016-17 and 2015-16 fiscal years:

Operating Expenses
For the Fiscal Years

(In Thousands)

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

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



Operating expenses increased $76.5 million, or 8.2 percent, over the 2015-16 fiscal year. Compensation and employee benefits increased by $67.2 million, in part, from investments in the University faculty hiring plan and annual salary increases of $39 million. The increase also occurred from associated retirement and healthcare expenses increases of $28.2 million, including an increase of $18.7 million in expenses associated with actuarially determined net pension liabilities.

<u>Nonoperating Revenues and Expenses</u>

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

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

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

Net nonoperating revenues increased by $41.1 million, or 9.2 percent, primarily due to an increase in State noncapital appropriations of $45.7 million. The University received $21.2 million in additional State performance-based and emerging pre-eminence funding, as well as, $18 million in additional funding for specific legislative priorities. Other nonoperating expenses increased $10 million due to the distribution of pass-through funding for some of these specific legislative appropriations.

Other Revenues

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

Other Revenues
For the Fiscal Years

(In Thousands)

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

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

The Statement of Cash Flows

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

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

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

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

Cash and cash equivalents decreased $29.3 million. Cash used by operating activities increased by $23.4 million compared to the 2015-16 fiscal year primarily due to a $53.3 million increase in cash payments to and on behalf of employees for compensation and benefits, offset by a $16.6 million increase in cash received from tuition and fees and a $12 million increase in cash received from grants and contracts. Cash inflows from noncapital financing activities increased by $30.8 million primarily due to an increase in cash received from State appropriations net of pass-through disbursements. Cash used by capital and related financing activities increased by $22.5 million primarily due to the purchase or construction of capital assets. Cash used by investing activities increased by $12.8 million primarily due to an increase in the purchase of investment instruments with longer term maturities from proceeds received from liquidations of money-market investments previously classified as cash equivalents.

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

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the University had $1.8 billion in capital assets, less accumulated depreciation of $776 million, for net capital assets of $1.1 billion. Depreciation charges for the current fiscal year totaled

$62.8 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

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

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

Capital Expenses and Commitments

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

	Amount (In Thousands)
Total Committed	$ 147,012
Completed to Date	(81,060)
Balance Committed	$ 65,952

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

Debt Administration

As of June 30, 2017, the University had $177 million in outstanding capital improvement debt payable, and bonds payable, representing a decrease of $9.7 million, or 5.2 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

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

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

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

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

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Net Position
June 30, 2017

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

UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2017

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

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

UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2017

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

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

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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, 2017

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 311,700,087
Grants and Contracts	122,196,848
Sales and Services of Auxiliary Enterprises, Net	82,074,892
Interest on Loans and Notes Receivable	84,103
Payments to Employees	(609,663,886)
Payments to Suppliers for Goods and Services	(214,816,579)
Payments to Students for Scholarships and Fellowships	(89,930,504)
Loans Issued to Students	(1,230,822)
Collection on Loans to Students	959,805
Other Operating Receipts	8,628,020
Net Cash Used by Operating Activities	(389,998,036)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	360,532,088
Federal and State Student Financial Aid	140,456,635
Federal Direct Loan Program Receipts	252,415,853
Federal Direct Loan Program Disbursements	(252,415,853)
Net Change in Funds Held for Others	6,340,842
Other Nonoperating Disbursements	(23,962,573)
Net Cash Provided by Noncapital Financing Activities	483,366,992
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	12,197,848
Other Receipts for Capital Projects	3,583,888
Purchase or Construction of Capital Assets	(104,486,821)
Principal Paid on Capital Debt and Leases	(9,798,608)
Interest Paid on Capital Debt and Leases	(8,140,215)
Net Cash Used by Capital and Related Financing Activities	(106,643,908)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	886,493,295
Purchases of Investments	(913,083,199)
Investment Income	10,569,284
Net Cash Used by Investing Activities	(16,020,620)
Net Decrease in Cash and Cash Equivalents	(29,295,572)
Cash and Cash Equivalents, Beginning of Year	48,318,107
Cash and Cash Equivalents, End of Year	$ 19,022,535

UNIVERSITY OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2017

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

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) and the Central Florida Clinical Practice Organization, Inc. (an affiliated organization), are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate boards. The Statutes authorize 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 educational program and clinical faculty within the College of Medicine.
- Limbitless Solutions, Inc. is a not-for-profit Florida Corporation whose purpose is to develop affordable open source 3D printed bionic solutions for individuals with disabilities, increase accessibility with art infused bionics, and to promote access and engagement in STEM/STEAM education. Financial activities of this component unit are not included in the University's financial statements as the total assets related to this component unit represent less than one percent of the total aggregate component units' assets.

An annual audit of each organization's financial statements 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 Assistant Vice President and University Controller. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

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

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

- Other Required Supplementary Information

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

The University's discretely presented component units use the economic resources measurement focus and the accrual basis of accounting, and follow GASB standards of accounting and financial reporting.

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts, money market funds, and investments with original maturities of 3 months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. The University also holds $7,514,612 in money market funds and short-term investments. The money market funds and investments are permissible under the current investment policy; the primary portion of these investments are held in Rule 2a-7 mutual funds and securities rated AAA (or its equivalent) by a nationally recognized statistical rating organization. The Corporation, a blended component unit, holds $4,011,650 in money market funds. The money market funds are uninsured, but collateralized by securities held by the financial institutions, not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

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

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

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

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest-bearing demand deposits, money market account, and cash deposits. At June 30, 2017, approximately $10,466,266 in cash deposits were not insured by Federal deposit insurance and were not collateralized.
- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are insured up to the Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2017, $1,671,824 of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.
- **UCF Convocation Corporation** – At June 30, 2017, the Convocation Corporation held $11,985,162 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.

- **UCF Stadium Corporation** – At June 30, 2017, the Stadium Corporation held $846,262 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.
- **Central Florida Clinical Practice Organization, Inc**. – At June 30, 2017, the Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling $5,088,995, were in excess of the Federal deposit insurance limit as of June 30, 2017.

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

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

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

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions 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 and HIS fiduciary net positions 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, and Level 3 inputs are significant unobservable inputs.

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

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

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

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

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

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

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 net asset value (NAV)	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	Total	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity - Domestic	$ 6,473,885	$ -	$ 6,473,885	$ -		
Equity - International	35,242,431	-	35,242,431	-		
Global All Assets	7,930,743	-	7,930,743	-		
International Fixed Income	14,535,924	-	14,535,924	-	Monthly	30 Days
Private Equity Funds	3,206,582	-	3,206,582	7,594,103		
Private Debt Funds	1,179,010	-	1,179,010	-		
Hedge Funds:						
Credit	5,195,880	-	5,195,880	-	Quarterly	65-90 Days
Event Driven	6,719,329	-	6,719,329	-	Monthly/Quarterly	60-90 Days
Global Macro	5,003,194	-	5,003,194	-	Monthly	3-62 Days
Long Short	2,016,616	-	2,016,616	-	Quarterly	35-45 Days
Long Short Credit	2,107,005	-	2,107,005	-	Monthly	30 Days
Equity Linked	3,783,810	-	3,783,810	-	Monthly/Quarterly	30-90 Days
Total investments measured at the NAV	$ 93,394,409	$ -	$ 93,394,409	$ 7,594,103		

<u>Net Asset Value</u>.

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

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

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

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

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

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

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

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

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

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

External Investment Pools.

The University reported investments at fair value totaling $294,917,170 at June 30, 2017, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor’s, had an effective duration of 2.8 years and fair value factor of 0.9923 at June 30, 2017. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool’s total fair value by the pool participant’s total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant’s pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

State Board of Administration Debt Service Accounts.

The University reported investments totaling $1,413,993 at June 30, 2017, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State

Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments.

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University and its component units in debt securities, bond mutual funds, and debt related hedge funds, and their future maturities at June 30, 2017, are as follows:

University Debt Investments Maturities

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

Component Units' Debt Investments Maturities

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The University's component units' investment policies provide information on asset classes, target allocations, and ranges of acceptable investment categories. The following schedule represents the ratings at June 30, 2017, of the University's and its component units' debt instruments using Moody's and Standard & Poor's nationally recognized rating agencies:

University Debt Investments Quality Ratings

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

Component Units' Debt Investments Quality Ratings

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

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

3. Receivables

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

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

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

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

4. Due From State

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

5. Capital Assets

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

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

6. Unearned Revenue

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

Description	Amount
Grants and Contracts	$ 3,679,307
Auxiliary Prepayments	7,660,250
Student Tuition and Fees	926,286
Total Unearned Revenue	$ 12,265,843

7. Deferred Outflow / Inflow of Resources

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

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

8. Long-Term Liabilities

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

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

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

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2002 - Housing	$ 14,055,000	$ 4,552,076	4.2 to 4.5	2021
2007A - Housing	38,780,000	26,861,027	4.625 to 5.5	2030
2012A - Housing	66,640,000	62,469,583	3 to 5	2042
Total Student Housing Debt	119,475,000	93,882,686		
Student Health Center Debt:				
2004A	8,000,000	3,569,271	4.5 to 5	2024
Parking Garage Debt:				
2004A - Parking Garage V	18,455,000	5,915,393	3.75 to 4.2	2024
2010B - Parking Garage VI	11,140,000	10,440,000	4.75 to 6.2	2029
2011A - Parking Garage	11,005,000	4,978,997	3 to 5	2022
2012A - Parking Garage	7,860,000	6,877,769	3 to 5	2032
Total Parking Garage Debt	48,460,000	28,212,159		
Total Capital Improvement Debt	$ 175,935,000	$ 125,664,116		

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

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

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

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

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

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

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

Fiscal Year	Bonds Payable		Interest	Net Cash
Ending June 30	Principal	Interest	Rate Swap	Flows
2018	$ 1,490,000	$ 2,245,544	$ 76,973	$ 3,812,517
2019	1,555,000	2,180,342	74,738	3,810,080
2020	1,630,000	2,112,295	72,405	3,814,700
2021	1,700,000	2,040,966	69,960	3,810,926
2022	1,790,000	1,966,574	67,410	3,823,984
2023-2027	10,260,000	8,584,397	294,255	19,138,652
2028-2032	12,915,000	6,118,084	209,715	19,242,799
2033-2037	16,250,000	3,013,750	103,305	19,367,055
2038	3,725,000	163,006	5,588	3,893,594
Total	$ 51,315,000	$ 28,424,958	$ 974,349	$ 80,714,307

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

The University 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, 2017, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $54,725,455. The current portion of the compensated absences liability, $3,830,782, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last 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 (OPEB) Plan. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the OPEB Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded OPEB costs or the net OPEB obligation. Premiums necessary for funding the OPEB Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2016-17 fiscal year, 507 retirees received postemployment healthcare benefits. The University provided required contributions of $2,973,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $3,806,000, which represents 0.96 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:

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

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

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

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

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

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

The University's OPEB actuarial valuation as of July 1, 2015, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2017, and the University's 2016-17 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 3.1 percent, 7.5 percent, and 8.8 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3 percent, 5.7 percent, and 7 percent for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 3.9 percent over 60 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2017, was 20 years.

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

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

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

Certificate of Participation Payable and Bonds Payable – Component Units.

UCF Convocation Corporation

During the 2013-14 and 2014-15 fiscal years, the UCF Convocation Corporation issued two refunding certificates of participation, Series 2014A for $58,645,000 and Series 2014B for $58,930,000 related to the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space during the 2004-05 and 2005-06 fiscal years. The refunding certificates will mature on October 1, 2034, and October 1, 2035, respectively, and bear interest at a fixed rate of 3.61 and 3.80 percent, respectively, per annum.

During the 2015-16 fiscal year, the UCF Convocation Corporation issued a $48,385,000 Refunding Revenue Bond, Series 2015A and a $34,775,000 Taxable Refunding Revenue Bond, Series 2015B, related to the acquisition, construction, and installation of a new convocation center, renovation of the existing University Arena, and construction of related infrastructure during the 2005-06 fiscal year, to a bank. The bonds will mature on October 1, 2035, and bear interest at fixed rates ranging from 1.5 to 5 percent per annum.

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

The University entered into an operating agreement with the UCF Convocation Corporation whereby the UCF Convocation Corporation will be solely responsible for management and operations of the convocation center and related facilities. The University assigned its rights, title, and interest in revenues generated from use of the facilities to the UCF Convocation Corporation and granted it the right to pledge revenues to secure repayment of the refunding revenue bonds. The University retained the right for priority use of the facilities for a period of at least 100 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 fiscal year ended June 30, 2017, totaled $2,200,000.

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

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

UCF Stadium Corporation

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

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

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

Loans and Notes Payable – Component Units.

UCF Foundation, Inc.

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

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

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

UCF Athletics Association, Inc.

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

On July 3, 2017, the UCF Athletics Association, Inc. also renewed an operating line of credit agreement with a local bank for $5,000,000. The line carries an interest rate of LIBOR plus 2 percent (3.06 percent at June 30, 2017). The line is secured by all contract royalties under a multimedia agreement, as well as, all NCAA grant-in-aid and sports sponsorship distributions. As of June 30, 2017, there was no amount outstanding on the operating line of credit.

Due to University – Component Units.

Four of its component units reported moneys due to the University totaling $7,610,375. 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 $500,000 was made during the 2016-17 fiscal year 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, 2017, the amount outstanding, including interest, totaled $6,614,649.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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

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

FRS Pension Plan.

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

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

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

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
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
Regular Class members initially enrolled on or after July 1, 2011	
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
Senior Management Service Class	2.00
Special Risk Class	
Service on and after October 1, 1974	3.00

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HIS Pension Plan.

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

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

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

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

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

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

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

The deferred outflows of resources totaling $2,803,354 resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

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

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

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

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

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

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

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

10. Retirement Plans – Defined Contribution Pension Plans

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

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

Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2016-17 fiscal year were as follows:

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

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

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

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

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

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

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

11. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Interdisciplinary Research and Incubator Facility	$ 48,564,312	$ 33,920,452	$ 14,643,860
John C. Hitt Library Renovations	20,736,643	11,926,694	8,809,949
Partnership IV Phase II	19,100,000	100,000	19,000,000
District Energy Plant IV	11,806,651	5,804,379	6,002,272
Trevor Colbourn Hall	9,960,332	1,892,524	8,067,808
UCF Downtown Academic Building	3,981,718	1,185,827	2,795,891
Subtotal	114,149,656	54,829,876	59,319,780
Other Projects (1)	32,862,633	26,230,631	6,632,002
Total	$ 147,012,289	$ 81,060,507	$ 65,951,782

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

12. Operating Lease Commitments

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

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

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

The University has also entered into rental agreements with the UCF Convocation Corporation for use of parking garages and various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year ended June 30, 2017, totaled $2,417,953.

13. State Self-Insurance Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2016-17 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $85 million for named windstorm and flood through February 14, 2017, and increased to $92.5 million starting February 15, 2017. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million through February 14, 2017, and increased to $225 million starting February 15, 2017; 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.

14. 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. The Program is distinct from and entirely independent of the self-insurance programs administered by the State described in Note 13.

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 2015-16 and 2016-17 fiscal years are presented in the following table:

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

15. 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.

16. Functional Distribution of Operating Expenses

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

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

17. 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

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

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

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

Condensed Statement of Cash Flows

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

18. Blended Component Units

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

Condensed Statement of Net Position

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

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

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

Condensed Statement of Cash Flows

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

19. 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
Assets:								
Current Assets	$ 35,086,237	$ 14,447,860	$ 5,793,133	$ 18,490,760	$ 3,316,874	$ 77,134,864	$ 5,677,659	$ 82,812,523
Capital Assets, Net	75,655,619	-	16,864,199	81,385,654	-	173,905,472	90,316	173,995,788
Other Noncurrent Assets	209,852,401	590,118	-	2,525,222	-	212,967,741	-	212,967,741
Total Assets	320,594,257	15,037,978	22,657,332	102,401,636	3,316,874	464,008,077	5,767,975	469,776,052
Deferred Outflows of Resources	416	-	-	599,880	66,032	666,328	-	666,328
Liabilities:								
Current Liabilities	7,423,294	9,719,594	6,876,187	12,030,383	3,926,266	39,975,724	302,488	40,278,212
Noncurrent Liabilities	19,896,699	-	12,425,927	182,212,650	46,058,194	260,593,470	-	260,593,470
Total Liabilities	27,319,993	9,719,594	19,302,114	194,243,033	49,984,460	300,569,194	302,488	300,871,682
Deferred Inflows of Resources	-	-	-	184,564	-	184,564	-	184,564
Net Position:								
Net Investment in Capital Assets	54,451,036	-	10,918,719	(107,656,680)	(47,707,162)	(89,994,087)	90,316	(89,903,771)
Restricted Nonexpendable	130,431,162	-	-	-	-	130,431,162	-	130,431,162
Restricted Expendable	89,003,305	755,135	2,490,528	10,229,603	208,358	102,686,929	-	102,686,929
Unrestricted	19,389,177	4,563,249	(10,054,029)	6,000,996	897,250	20,796,643	5,375,171	26,171,814
Total Net Position	$ 293,274,680	$ 5,318,384	$ 3,355,218	$ (91,426,081)	$ (46,601,554)	$ 163,920,647	$ 5,465,487	$ 169,386,134

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

The UCF Convocation Corporation and the UCF Stadium Corporation have a deficit net position of $91,426,081 and $46,601,554, respectively, as of June 30, 2017. These deficits are attributed to the transfer of buildings and building improvements to the University as a result of the August 2015 and December 2015 debt 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 refundings 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.

20. Subsequent Events

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

On February 14, 2018, the Board of Governors issued $23,255,000 of University of Central Florida Dormitory Revenue Refunding Bonds, Series 2018A, with interest rates ranging from 4 percent to 5 percent. A portion of the capital improvement debt proceeds were used to defease $20,945,000 of outstanding University of Central Florida Housing Revenue Bonds, Series 2007A maturing in 2029, and to defease $2,310,000 of outstanding University of Central Florida Housing Revenue Bonds, Series 2002 maturing in 2020. A portion of the proceeds was deposited into a trust fund to provide for all future debt service payments on the defeased bonds. The trust assets and liability for the defeased bonds are not included in the University's statement of net assets. The trust will redeem the defeased bonds on March 19, 2018. As a result of the refunding, the University reduced its capital improvement debt service requirement by $3,977,202 over the next 13 years and obtained an economic gain of $3,439,521.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

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

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

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

	2016 (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.559865856%	0.538161499%	0.48430390%	0.360374086%
University's proportionate share of the FRS net pension liability	$ 141,366,568	$ 69,510,775	$ 29,549,660	$ 62,036,419
University's covered payroll (2)	$ 364,535,289	$ 333,695,268	$ 305,107,256	$ 289,894,138
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	38.78%	20.83%	9.69%	21.40%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

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

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

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

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

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

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 2,803,354	$ 2,561,234	$ 1,795,341	$ 1,475,630
HIS contributions in relation to the contractually required HIS contribution	(2,803,354)	(2,561,234)	(1,795,341)	(1,475,630)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 166,665,368	$ 153,090,572	$ 140,702,712	$ 127,489,508
HIS contributions as a percentage of covered payroll	1.68%	1.67%	1.28%	1.16%

Notes: (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Schedule of Funding Progress – Other Postemployment Benefit Plan

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

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

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

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

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

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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, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 19, 2018, 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*.

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

Sherrill F. Norman, CPA
Tallahassee, Florida
March 19, 2018