UNIVERSITY OF CENTRAL FLORIDA STUDENT HEALTH CENTER REVENUE BONDS

	CUSIP Numbers
Maturity Date	Series 2004A Dated 5/15/2004
7/01/16	34281VAM2
7/01/17	34281VAN0
7/01/18	34281VAP5
7/01/19	34281VAQ3
7/01/20	34281VAR1
7/01/21	34281VAS9
7/01/22	34281VAT7
7/01/23	34281VAU4
7/01/24	34281VAV2

ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
SUBMITTED PURSUANT TO RULE 15c2-12
OF THE SECURITIES AND EXCHANGE COMMISSION
FOR THE

STATE OF FLORIDA
FLORIDA EDUCATION SYSTEM
UNIVERSITY OF CENTRAL FLORIDA
STUDENT HEALTH CENTER REVENUE BONDS, SERIES 2004A

for Fiscal Year ending June 30, 2015

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I. Historical Headcount Enrollment and Student Credit Hours.

Historical Headcount Enrollment and Student Credit Hours

Academic Year	Fall Semester Headcount Enrollment	Annual Student Credit Hours
2010-11	49,827	1,245,525
2011-12	52,025	1,288,313
2012-13	52,540	1,294,597
2013-14	52,795	1,282,583
2014-15[1]	60,821	1,506,299

[1] Beginning Fall 2014, all students pay the health fee regardless of campus location.

II. Student Health Fee Rates.

Student Health Fee Rates

	Fiscal Year ended June 30				
	2010-11	2011-12	2012-13	2013-14	2014-15[1]
Student Health Fee per credit hour	$9.52	$9.88	$10.30	$10.89	$10.84

[1] The Student Health Fee is charged as part of the students' tuition for each credit hour they are enrolled regardless of campus location.

III. Historical Pledged Revenues.

Historical Pledged Revenues[1]

	Fiscal Year Ended June 30				
	2011	2012	2013	2014	2015
Student Health Fee Rates	$9.52/hour	$9.88/hour	$10.30/hour	$10.89/hour	$10.84/hour
Pledged Revenues	$11,792,882	$12,754,166	$13,243,032	$14,126,908	$16,610,465

[1] Pledged Revenues have been provided by the University.

IV. Admission and Registration Headcounts and Percentages by Type of Student.

Admission and Registration Headcounts and Percentages by Type of Student[4]

	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015[1]
All Students[2]:					
Applicants	50,913	50,838	48,297	50,927	54,504
Admitted	24,172	23,855	23,506	24,935	26,445
% of Applicants Admitted	47%	47%	49%	49%	49%
Enrolled	12,869	12,552	12,398	13,129	13,687
% of Admitted Enrolled	53%	53%	53%	53%	52%
First-Time-in-College:					
Applicants	25,671	24,818	23,198	24,511	26,550
Admitted	10,604	10,583	10,087	10,692	11,421
% of Applicants Admitted	41%	43%	43%	44%	43%
Enrolled	3,754	3,638	3,378	3,745	3,716
% of Admitted Enrolled	35%	34%	33%	35%	33%
Community College Transfers:					
Applicants	11,197	11,429	11,202	10,492	10,946
Admitted	8,161	7,936	8,099	7,803	8,253
% of Applicants Admitted	73%	69%	72%	74%	75%
Enrolled	5,945	5,825	5,951	5,789	6,132
% of Admitted Enrolled	73%	73%	73%	74%	74%
Other Undergraduate Transfers:					
Applicants	3,448	3,304	3,146	3,132	3,312
Admitted	757	614	976	1,047	1,270
% of Applicants Admitted	22%	19%	31%	33%	38%
Enrolled	379	285	496	510	645
% of Admitted Enrolled	50%	46%	51%	49%	51%
Second Degree Undergraduate[3]:					
Applicants	-	-	-	787	773
Admitted	-	-	-	655	634
% of Applicants Admitted	-	-	-	83%	82%
Enrolled	-	-	-	325	291
% of Admitted Enrolled	-	-	-	50%	46%
Post-Baccalaureate:					
Applicants	502	551	512	529	555
Admitted	494	545	507	520	541
% of Applicants Admitted	98%	99%	99%	98%	97%
Enrolled	299	344	295	301	327
% of Admitted Enrolled	61%	63%	58%	58%	60%
Graduate:					
Applicants	6,707	7,200	6,310	7,212	7,329
Admitted	3,950	3,887	3,543	3,912	3,972
% of Applicants Admitted	59%	54%	56%	54%	54%
Enrolled	2,392	2,334	2,138	2,318	2,409
% of Admitted Enrolled	61%	60%	60%	59%	61%
Professional Schools:					
Applicants	3,329	3,472	3,843	4,174	4,875
Admitted	181	260	270	284	294
% of Applicants Admitted	5%	7%	7%	7%	6%
Enrolled	80	100	119	120	121
% of Admitted Enrolled	44%	38%	44%	42%	41%

[1] Fall 2015 enrollment figures are preliminary.
[2] May not equal sum of components due to some students being accounted for as an unclassified status.
[3] Beginning in Summer 2014, second degree seeking undergraduate students are reported separately.
[4] Source: UCF Office of Institutional Research.

V. Headcount and Full-Time Equivalent Enrollment by Level.

Headcount Enrollment by Level[1]

Fall	Undergraduate	Graduate	Medical	Annual Total
2011	50,002	8,517	179	58,698
2012	50,982	8,526	277	59,785
2013	51,298	8,121	351	59,770
2014	52,539	7,862	420	60,821
2015[2]	54,766	8,150	457	63,373

[1] Source: UCF Office of Institutional Research.
[2] Fall 2015 enrollment figures are preliminary.

The full-time equivalent (FTE) student calculation factor is a measure of student enrollment based on the number of student credit hours for which students enroll. FTE enrollment is determined by dividing the total number of hours enrolled by all students in a specific category by the appropriate hour requirement.

The Florida State University System has previously reported FTEs under its own methodology where 15 undergraduate student credit hours or 12 graduate student credit hours are equivalent to one FTE during the fall and spring semesters. During the summer semester, 10 undergraduate student credit hours or 8 graduate student credit hours are equivalent to one FTE. Annual full-time equivalency is 40 credit hours for undergraduate students and 32 credit hours for graduate students.

The federal government's IPEDS (Integrated Postsecondary Education Data System) method defines one FTE as 30 credit hours over a 12-month period for undergraduate students and 24 credit hours over a 12-month period for graduate students.

Full-Time-Equivalent Enrollment by Level[1]
(Using Florida method)

Academic Year	Lower Level	Upper Level	Graduate	Medical	Annual Total
2010-11	11,978	20,676	4,467	100	37,221
2011-12	12,232	21,852	4,389	179	38,652
2012-13	11,707	22,467	4,419	277	38,870
2013-14	11,557	22,296	4,304	352	38,509
2014-15	12,018	22,329	3,869	420	38,636

[1] Source: UCF Office of Institutional Research.

University Full-Time-Equivalent Enrollment by Level[1]
(Using IPEDS method)

Academic Year	Undergraduate	Graduate	Annual Total
2012-13	45,568	5,809	51,377
2013-14	45,138	5,738	50,876
2014-15	45,796	5,518	51,314

[1] Source: UCF Office of Institutional Research.

VI. Debt Service Coverage.

	Fiscal Year Ended June 30				
	2011	**2012**	**2013**	**2014**	**2015**
Pledged Revenues[1]	$11,792,882	$12,754,166	$13,243,032	$14,126,908	$16,610,465
Annual Debt Service on 2004A Bonds	$615,874	$616,024	$615,930	$616,530	$620,780
Maximum Annual Debt Service[2]	$620,780	$620,780	$620,780	$620,780	$620,413
Coverage Ratios:					
Annual Debt Service Coverage	19.15x	20.70x	21.50x	22.91x	26.76x
Maximum Annual Debt Service Coverage	19.00x	20.55x	21.33x	22.75x	26.77x

[1] Pledged Revenues have been provided by the University.

[2] Maximum annual debt service on the 2004A Bonds occurs in Fiscal Year 2014-15 for Fiscal Years 2010-11 through 2013-14. The maximum annual debt service on the 2004A Bonds occurs in fiscal year 2019-20 for Fiscal Years 2014-15.

Investment of Funds

Investment by the Chief Financial Officer - Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2015, the ratio was approximately 48% internally managed funds, 44% externally managed funds, 2% Certificates of Deposit and 6% in an externally managed Security Lending program. The total portfolio market value on June 30, 2015, was $23,562,958,727.65.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2015, $15.872 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury; additionally, $6.163 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

As provided by State law, the Treasury must be able to timely meet all disbursement needs of the State. Accordingly, the Treasury allocates its investments to provide for estimated disbursements plus a cushion for liquidity in instances of greater-than-expected disbursement demand.

To this end, a portion of Treasury's investments are managed for short-term liquidity and preservation of principal. The remainder is managed to obtain maximum yield, given the safety parameters of State law and Treasury's Comprehensive Investment Policy. Investments managed for short-term liquidity and preservation of principal are managed "internally" by Treasury personnel. The majority of investments managed for a maximum return are managed by "external" investment managers not employed by the State.

The Externally Managed Investment Program provides long-term value while limiting risk appropriately and provides a backup source of liquidity. External investment strategy focuses on medium-term and long-term fixed income securities, rather than money market instruments, in order to take advantage of higher returns historically achieved by such securities. Portfolio managers are hired to actively manage funds. These funds may be invested in U.S. Treasury government agency obligations, investment grade corporate debt, municipal debt, mortgage backed securities, asset backed securities, and U.S. dollar denominated investment-grade foreign bonds that are registered with the Securities and Exchange Commission. The managers may also use leveraging techniques such as forward purchase commitments, covered options, and interest rate futures.

Investment by the Board of Administration - The Board of Administration manages investment of assets on behalf of the members of the Florida Retirement System (the "FRS") Defined Benefit Plan. It also acts as sinking fund trustee for most State bond issues and oversees the management of a short-term investment pool for local governments and smaller trust accounts on behalf of third party beneficiaries.

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2015, the Board of Administration directed the investment/administration of 33 funds in 452 portfolios.

As of June 30, 2015 the total market value of the FRS (Defined Benefit) Trust Fund was $147,972,946,328.94. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

The Board of Administration uses a variety of derivative products as part of its overall investment strategy.

These products are used to manage risk or to execute strategies more efficiently or more cost effectively than could be done in the cash markets. They are not used to speculate in the expectation of earning extremely high returns. Any of the products used must be within investment policy guidelines designed to control the overall risk of the portfolio.

The Board of Administration invests assets in 32 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2015, the total market value of these funds equaled $31,994,734,874.22. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plan. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

Investment of bond sinking funds is controlled by the resolution authorizing issuance of a particular series of bonds. The Board of Administration's investment policy with respect to sinking funds is that only U.S. Treasury securities, and repurchase agreements backed thereby, be used.

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2016-060
December 2015

UNIVERSITY OF CENTRAL FLORIDA

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. John C. Hitt served as President and the following individuals served as members of the Board of Trustees:

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 Sherry J. Homayouni, CPA, and the audit was supervised by Brenda C. Racis, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Supervisor, 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:

www.myflorida.com/audgen

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State of Florida Auditor General

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

UNIVERSITY OF CENTRAL FLORIDA

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SUMMARY

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, 2015. 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

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

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, 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 0.6 percent, 14.63 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 statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Central Florida and of its aggregate discretely presented component units as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Notes 2 and 3 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **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 on our consideration of the University of Central Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.** The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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
December 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2015, 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, 2015, and June 30, 2014.

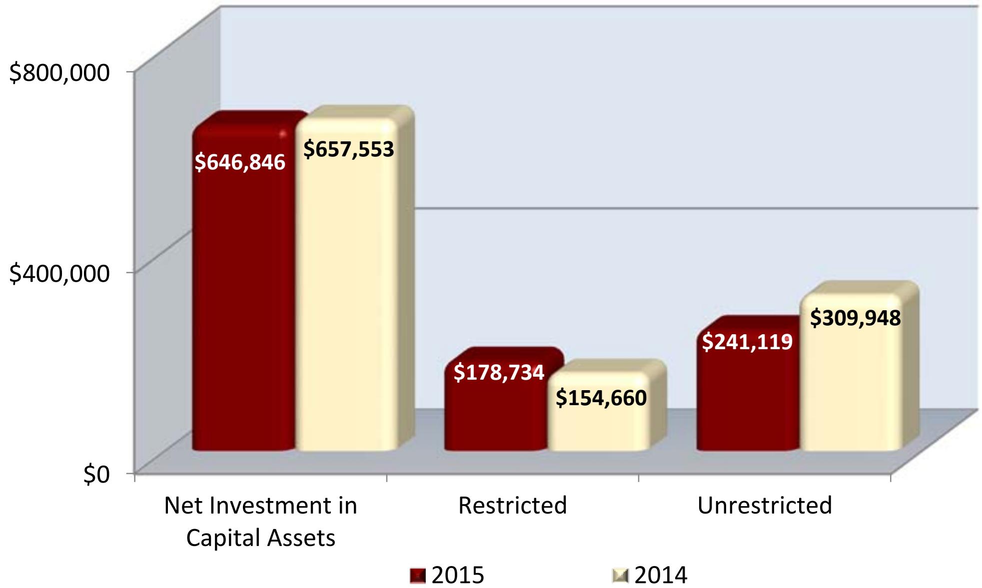
FINANCIAL HIGHLIGHTS

The University's assets totaled $1.5 billion at June 30, 2015. This balance reflects a $32.7 million, or 2 percent, increase as compared to June 30, 2014, resulting primarily from an increase in investments. Deferred outflows of resources at June 30, 2015 totaled $53.7 million, an increase from the prior year of $42.5 million. Liabilities increased by $79.6 million, or 21 percent, totaling $460.9 million at June 30, 2015, as compared to $381.4 million at June 30, 2014. Deferred inflows of resources at June 30, 2015 totaled $51.1 million. As a result, the University's net position decreased by $55.5 million, but remained relatively consistent in total with the prior year's balance of $1.1 billion. The increases in liabilities, deferred outflows and inflows of resources, and decrease in net position were largely impacted by the adoption of Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This accounting standard requires the University, as a participating employer in the Florida Retirement System (FRS), to recognize its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple employer defined benefit plans. Changes in liabilities are recognized through the Statement of Revenues, Expenses, and Changes in Net Position, or reported as deferred outflows or inflows of resources on the Statement of Net Position, depending on the nature of the change. The initial adoption also resulted in an adjustment to beginning net position of $86.1 million.

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, 2015, and June 30, 2014, is shown in the following graph:

Net Position:

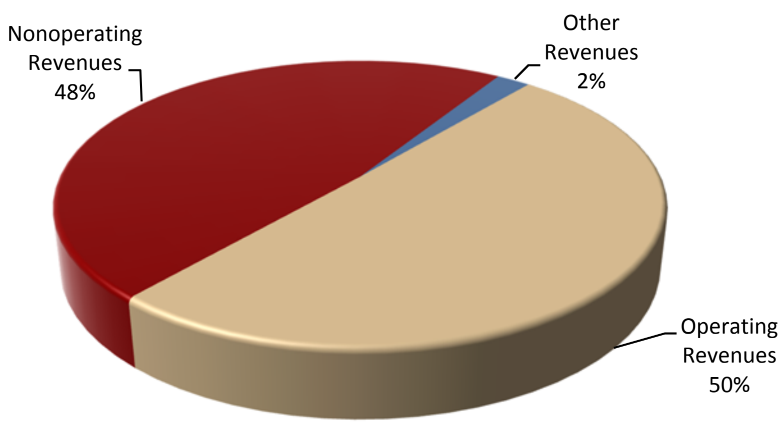
(In Thousands)



The University's operating revenues totaled $481.1 million for the 2014-15 fiscal year, representing an 8 percent increase compared to the 2013-14 fiscal year due mainly to increases in student tuition and fees, and grants and contracts. Operating expenses totaled $880.2 million for the 2014-15 fiscal year, representing an increase of 7 percent compared to the 2013-14 fiscal year due mainly to increases in compensation and employee benefits, and services and supplies.

The following chart provides a graphical presentation of University revenues by category for the 2014-15 fiscal year:

Total Revenues:



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 (formerly known as Golden Knights 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. MD&A information for the discretely presented component units reporting under GASB standards 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)

	2015	2014
Assets		
Current Assets	$ 565,221	$ 521,440
Capital Assets, Net	837,341	857,163
Other Noncurrent Assets	122,492	113,710
Total Assets	1,525,054	1,492,313
Deferred Outflows of Resources	53,696	11,219
Liabilities		
Current Liabilities	81,829	77,557
Noncurrent Liabilities	379,100	303,814
Total Liabilities	460,929	381,371
Deferred Inflows of Resources	51,122	-
Net Position		
Net Investment in Capital Assets	646,846	657,553
Restricted	178,734	154,660
Unrestricted	241,119	309,948
Total Net Position	$ 1,066,699	$ 1,122,161

Total assets as of June 30, 2015, increased by $32.7 million or 2 percent. This increase is primarily due to an increase in investments of $33.3 million. Deferred outflows of resources increased $42.5 million. This increase is primarily due to deferred amounts related to pensions associated with the implementation of GASB Statement No. 68. Total liabilities as of June 30, 2015, increased by $79.6 million, or 21 percent, and was primarily due to liabilities recorded for the University's proportionate share of the FRS net pension liabilities, increases in other postemployment benefit (OPEB), and compensated absences liabilities, offset by reductions in long-term debt associated with current year principal payments. Deferred inflows of resources consist of the deferred amounts related to pensions associated with the adoption of GASB Statement No. 68.

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 2014-15 and 2013-14 fiscal years:

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

(In Thousands)

	2014-15	2013-14
Operating Revenues	$ 481,124	$ 443,779
Less, Operating Expenses	880,219	821,707
Operating Loss	(399,095)	(377,928)
Net Nonoperating Revenues	409,399	395,778
Income Before Other Revenues, Expenses, Gains, or Losses	10,304	17,850
Other Revenues, Expenses, Gains, or Losses	20,348	23,280
Net Increase in Net Position	30,652	41,130
Net Position, Beginning of Year	1,122,161	1,081,031
Adjustment to Beginning Net Position (1)	(86,114)	-
Net Position, Beginning of Year, as Restated	1,036,047	1,081,031
Net Position, End of Year	$ 1,066,699	$ 1,122,161

Note: (1) As discussed in Notes 2 and 3 of the financial statements, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 68.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2014-15 and 2013-14 fiscal years:

Operating Revenues
For the Fiscal Years

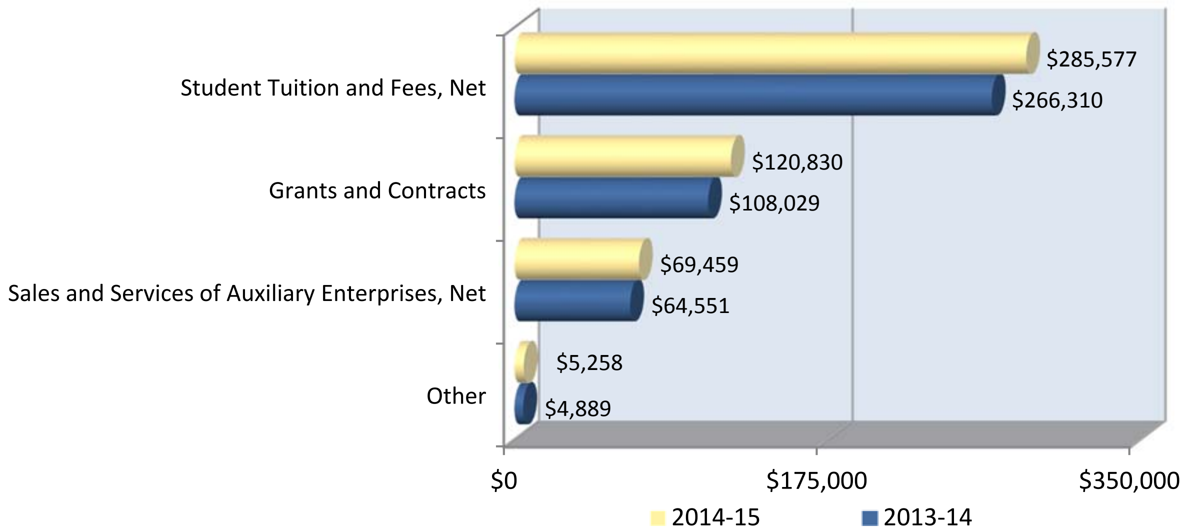
(In Thousands)

	2014-15	2013-14
Student Tuition and Fees, Net	$ 285,577	$ 266,310
Grants and Contracts	120,830	108,029
Sales and Services of Auxiliary Enterprises, Net	69,459	64,551
Other	5,258	4,889
Total Operating Revenues	$ 481,124	$ 443,779

The following chart presents the University's operating revenues for the 2014-15 and 2013-14 fiscal years:

Operating Revenues:

(In Thousands)



Total operating revenues increased by $37.3 million, or 8 percent. Net student tuition and fees increased by $19.3 million, or 7 percent, and was primarily due to an increase in local fee revenues related to transportation access and health services and an increase in non-resident credit hours. Grants and contracts revenues increased by $12.8 million, or 12 percent, and was primarily due to a new Federal grant with the National Aeronautics and Space Administration (NASA).

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.

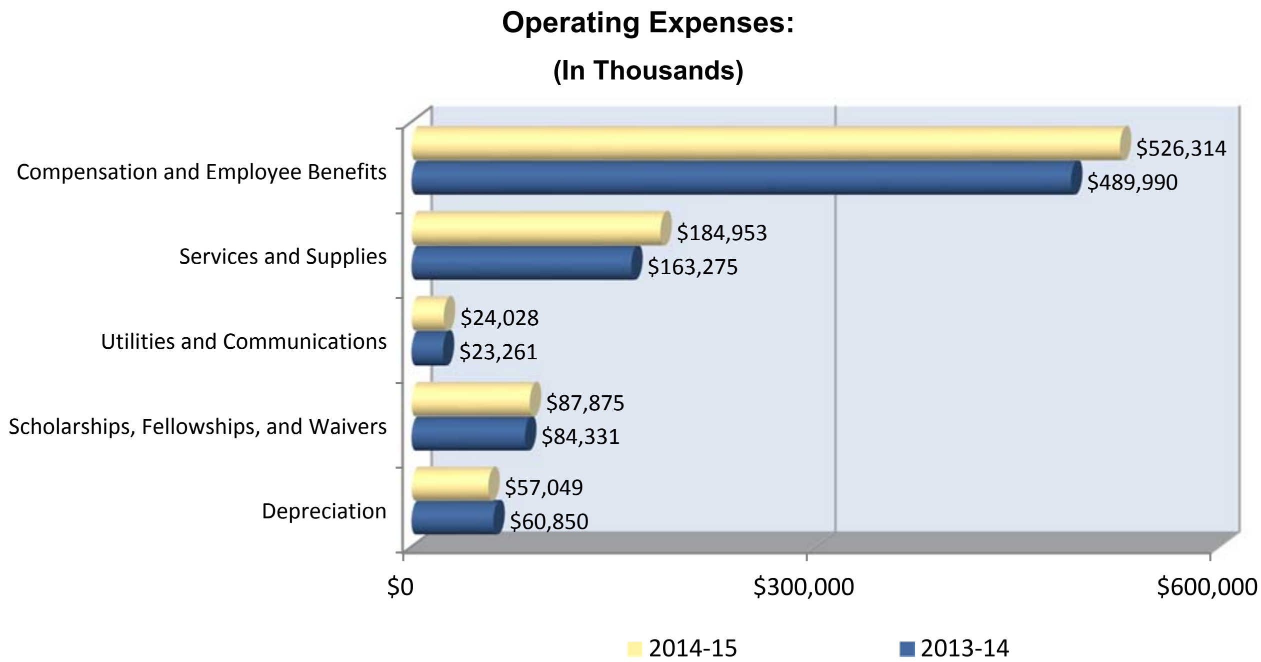
The following summarizes operating expenses by natural classification for the 2014-15 and 2013-14 fiscal years:

Operating Expenses
For the Fiscal Years

(In Thousands)

	2014-15	2013-14
Compensation and Employee Benefits	$ 526,314	$ 489,990
Services and Supplies	184,953	163,275
Utilities and Communications	24,028	23,261
Scholarships, Fellowships, and Waivers	87,875	84,331
Depreciation	57,049	60,850
Total Operating Expenses	$ 880,219	$ 821,707

The following chart presents the University's operating expenses for the 2014-15 and 2013-14 fiscal years:



Operating expenses totaled $880 million for the 2014-15 fiscal year. This represents a $58.5 million or 7 percent increase over the 2013-14 fiscal year. The increase in compensation and employee benefits of $36.3 million, or 7 percent, was primarily due to an increase in salaries of $31 million, which included increases in the pay rate and in the number of employees, and healthcare and retirement contributions of $9.2 million. The increase in services and supplies of $21.7 million, or 13 percent, was primarily due to an increase in grant related subcontractor expenses related to the new Federal grant with NASA.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2014-15 and 2013-14 fiscal years:

Nonoperating Revenues (Expenses):
For the Fiscal Year Ended

(In Thousands)

	2014-15	2013-14
State Noncapital Appropriations	$ 301,945	$ 273,554
Federal and State Student Financial Aid	135,263	137,019
Investment Income	8,402	21,861
Other Nonoperating Revenues	9,042	10,486
Loss on Disposal of Capital Assets	(926)	(5,643)
Interest on Capital Asset-Related Debt	(8,744)	(7,648)
Other Nonoperating Expenses	(35,583)	(33,851)
Net Nonoperating Revenues	$ 409,399	$ 395,778

Net nonoperating revenues increased by $13.6 million, or 3 percent, primarily due to an increase in State noncapital appropriations of $28.4 million of which $23.6 million was new performance and other funding. In addition, appropriations of $4.8 million were received for funding of employee compensation and benefits. These appropriation increases were offset by a decrease in investment income of $13.5 million primarily due to a decrease in unrealized gains from prior year. Other nonoperating expenses primarily consist of expenses incurred by the athletics department and transfers out to other agencies.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2014-15 and 2013-14 fiscal years:

Other Revenues, Expenses, Gains, or Losses:
For the Fiscal Year Ended

(In Thousands)

	2014-15	2013-14
State Capital Appropriations	$ 19,967	$ 21,514
Capital Grants, Contracts, Donations, and Fees	381	1,766
Total	$ 20,348	$ 23,280

Other revenues, expenses, gains, or losses totaled $20.3 million for the 2014-15 fiscal year. This represents a $2.9 million decrease compared to the 2013-14 fiscal year due primarily to a decrease in State capital appropriations.

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 2014-15 and 2013-14 fiscal years:

Condensed Statement of Cash Flows:

(In Thousands)

	2014-15	**2013-14**
Cash Provided (Used) by:		
Operating Activities	$ (336,529)	$ (301,469)
Noncapital Financing Activities	418,865	396,474
Capital and Related Financing Activities	(62,529)	(59,324)
Investing Activities	(24,941)	(37,167)
Net Decrease in Cash and Cash Equivalents	(5,134)	(1,486)
Cash and Cash Equivalents, Beginning of Year	54,924	56,410
Cash and Cash Equivalents, End of Year	$ 49,790	$ 54,924

Cash and cash equivalents decreased $5.1 million. Cash used by operating activities increased by $35.1 million compared to fiscal year 2013-14 due primarily to a $40.6 million increase in cash payments to employees for compensation and $21.5 million increase in payments to suppliers for goods and services offset by a $16.2 million increase in cash received from tuition and fees and $14.2 million increase in cash received for grants and contracts. Cash inflows from noncapital financing activities increased by $22.4 million primarily due to State noncapital appropriations. Total cash used by capital and related financing activities remained relatively unchanged from the 2013-14 fiscal year. Cash used by investing activities decreased by $12.2 million primarily due to a decrease in investment purchases.

Major sources of funds came from State noncapital appropriations ($301.9 million), student tuition and fees, net ($280.9 million), Federal and State student financial aid ($135.5 million), and grants and contracts ($120.2 million). Major uses of funds were for payments made to and on behalf of employees ($512.2 million), payments to suppliers for goods and services ($209.8 million), and payments to students for scholarships and fellowships ($87.9 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the University had $1.5 billion in capital assets, less accumulated depreciation of $677.8 million, for net capital assets of $837.3 million. Depreciation charges for the current fiscal year totaled $57 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)

	2015	2014
Land	$ 24,822	$ 24,822
Construction in Progress	16,805	9,296
Buildings	704,446	722,711
Infrastructure and Other Improvements	30,094	32,286
Furniture and Equipment	38,218	42,473
Library Resources	19,477	20,602
Leasehold Improvements	2,569	3,981
Works of Art and Historical Treasures	910	992
Capital Assets, Net	$ 837,341	$ 857,163

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, 2015, were incurred on the following projects currently in progress: Global Achievement Building and Bennett Building Renovations. Remaining capital expenses completed during the year consisted of various renovation and replacement projects throughout the University. The University's major construction commitments at June 30, 2015, are as follows:

	Amount (In Thousands)
Total Committed	$ 39,546
Completed to Date	(16,805)
Balance Committed	$ 22,741

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

Debt Administration

As of June 30, 2015, the University had $196.6 million in outstanding capital improvement debt payable and bonds payable, representing a decrease of $11.3 million, or 5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30:

(In Thousands)

	2015	2014
Capital Improvement Debt	$ 142,478	$ 151,541
Bonds Payable	54,085	55,380
Installment Purchase Payable	-	950
Total	$ 196,563	$ 207,871

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. The budget adopted by the Florida Legislature for the 2015-16 fiscal year provided a 4 percent increase to State universities, including $100 million of new recurring performance-based funding. The University received $14.7 million of this new funding for total performance-based appropriations of $57.7 million. Economic recovery and increased demand for State resources will continue to influence appropriations to higher education. The University manages these influences through the continual conservation and efficient use of resources and entrepreneurial efforts by academic, administrative, and auxiliary departments.

In addition to State funding, the University relies on other revenue streams to maintain the open access to and high quality of its academic programs. For the 2014-15 fiscal year, gross tuition and fee revenue increased by 6 percent in part due to an increase in non-resident tuition and fees. Enrollment increased 2 percent with a student count of approximately 60,821. The University continues to invest in recruitment, retention, and academic advising initiatives to manage enrollment and support students' success.

REQUESTS FOR INFORMATION

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

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

June 30, 2015

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 36,252,687	$ 20,588,762
Restricted Cash and Cash Equivalents	4,615,228	23,352,805
Investments	411,201,814	4,315,976
Accounts Receivable, Net	53,434,040	8,313,474
Loans and Notes Receivable, Net	1,073,643	-
Due from State	46,465,479	-
Due from Component Units	3,688,240	1,394,943
Due from University	-	8,263,456
Inventories	2,446,206	11,409
Other Current Assets	6,044,099	1,140,751
Total Current Assets	565,221,436	67,381,576
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,922,116	21,132,856
Restricted Investments	100,392,599	183,031,189
Loans and Notes Receivable, Net	5,273,350	7,310,547
Depreciable Capital Assets, Net	795,495,676	248,060,068
Nondepreciable Capital Assets	41,845,030	57,146,417
Due from Component Units	6,915,072	-
Other Noncurrent Assets	989,120	3,342,102
Total Noncurrent Assets	959,832,963	520,023,179
Total Assets	1,525,054,399	587,404,755
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	40,588,303	-
Accumulated Decrease in Fair Value of Hedging Derivatives	13,107,659	-
Deferred Loss on Bond Debt Refunding	-	760,121
Total Deferred Outflows of Resources	53,695,962	760,121
LIABILITIES		
Current Liabilities:		
Accounts Payable	16,934,502	3,947,153
Construction Contracts Payable	5,367,125	1,504,194
Salaries and Wages Payable	15,795,262	-
Deposits Payable	5,441,091	-
Due to Component Units	8,263,456	1,394,943
Due to University	-	3,688,240
Unearned Revenue	15,304,861	11,411,871
Other Current Liabilities	248,758	2,251,876
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	8,345,000	-
Bonds Payable	1,355,000	-
Certificates of Participation Payable	-	7,893,000
Loans and Notes Payable	-	14,420,786
Compensated Absences Payable	3,337,170	102,788
Net Pension Liability	1,437,069	-
Total Current Liabilities	81,829,294	46,614,851

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

June 30, 2015

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	$ 134,133,346	$ -
Bonds Payable	52,730,000	-
Certificates of Participation Payable	-	245,628,244
Loans and Notes Payable	-	31,443,693
Compensated Absences Payable	44,336,690	795,076
Other Postemployment Benefits Payable	59,802,000	-
Net Pension Liability	68,389,465	-
Unearned Revenues	-	1,861,012
Due to University	-	6,915,072
Interest Rate Swap	13,107,659	-
Other Noncurrent Liabilities	6,600,805	-
Total Noncurrent Liabilities	379,099,965	286,643,097
Total Liabilities	460,929,259	333,257,948
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	51,122,361	-
Total Deferred Inflows of Resources	51,122,361	-
NET POSITION		
Net Investment in Capital Assets	646,845,968	14,262,476
Restricted for Nonexpendable:		
Endowment	-	122,971,130
Restricted for Expendable:		
Debt Service	1,422,001	-
Loans	3,928,142	-
Capital Projects	145,400,324	3,596,470
Other	27,983,319	96,278,290
Unrestricted	241,118,987	17,798,562
TOTAL NET POSITION	$ 1,066,698,741	$ 254,906,928

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, 2015

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $105,398,696 (Pledged for Capital Improvement Debt: $16,610,465 for Student Health and $13,816,823 for Parking)	$ 285,576,688	$ -
Federal Grants and Contracts	96,198,237	-
State and Local Grants and Contracts	6,491,315	-
Nongovernmental Grants and Contracts	18,140,582	-
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: $29,041,650 for Housing and $6,059,266 for Parking)	69,459,152	-
Gifts and Donations	-	19,370,572
Interest on Loans and Notes Receivable	85,955	-
Other Operating Revenues (Pledged for Capital Improvement Debt: $33,012 for Housing and $1,024,527 for Parking)	5,171,982	96,562,121
Total Operating Revenues	481,123,911	115,932,693
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	526,313,858	14,863,868
Services and Supplies	184,953,820	87,024,820
Utilities and Communications	24,028,158	-
Scholarships, Fellowships, and Waivers	87,874,507	-
Depreciation	57,048,552	10,481,886
Total Operating Expenses	880,218,895	112,370,574
Operating Income (Loss)	(399,094,984)	3,562,119
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	301,945,200	-
Federal and State Student Financial Aid	135,263,379	-
Investment Income	8,402,218	636,590
Other Nonoperating Revenues	9,041,822	17,442,754
Gain (Loss) on Disposal of Capital Assets	(925,962)	2,500
Interest on Capital Asset-Related Debt	(8,743,732)	(11,295,672)
Other Nonoperating Expenses	(35,583,840)	(3,875,369)
Net Nonoperating Revenues	409,399,085	2,910,803
Income Before Other Revenues, Expenses, Gains, or Losses	10,304,101	6,472,922
State Capital Appropriations	19,966,625	-
Capital Grants, Contracts, Donations, and Fees	381,517	-
Additions to Permanent Endowments	-	3,786,805
Increase in Net Position	30,652,243	10,259,727
Net Position, Beginning of Year	1,122,161,297	244,647,201
Adjustment to Beginning Net Position	(86,114,799)	-
Net Position, Beginning of Year, as Restated	1,036,046,498	244,647,201
Net Position, End of Year	$ 1,066,698,741	$ 254,906,928

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

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

For the Fiscal Year Ended June 30, 2015

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 280,879,567
Grants and Contracts	120,190,380
Sales and Services of Auxiliary Enterprises, Net	68,950,832
Interest on Loans and Notes Receivable	88,242
Payments to Employees	(512,224,170)
Payments to Suppliers for Goods and Services	(209,840,472)
Payments to Students for Scholarships and Fellowships	(87,874,507)
Collection on Loans to Students	781,687
Loans Issued to Students	(2,546,931)
Other Operating Receipts	5,065,564
Net Cash Used by Operating Activities	(336,529,808)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	301,945,200
Federal and State Student Financial Aid	135,477,788
Federal Direct Loan Program Receipts	250,766,662
Federal Direct Loan Program Disbursements	(250,766,662)
Net Change in Funds Held for Others	(924,007)
Other Nonoperating Disbursements	(17,633,830)
Net Cash Provided by Noncapital Financing Activities	418,865,151
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	7,049,140
Capital Grants, Contracts, Donations, and Fees	279,777
Capital Subsidies and Transfers	(10,218,844)
Other Receipts for Capital Projects	291,184
Purchase or Construction of Capital Assets	(39,874,392)
Principal Paid on Capital Debt	(11,075,623)
Interest Paid on Capital Debt	(8,980,063)
Net Cash Used by Capital and Related Financing Activities	(62,528,821)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	695,113,011
Purchases of Investments	(729,058,855)
Investment Income	9,004,885
Net Cash Used by Investing Activities	(24,940,959)
Net Decrease in Cash and Cash Equivalents	(5,134,437)
Cash and Cash Equivalents, Beginning of Year	54,924,468
Cash and Cash Equivalents, End of Year	$ 49,790,031

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

For the Fiscal Year Ended June 30, 2015

		University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(399,094,984)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		57,048,552
Changes in Assets and Liabilities:		
Receivables, Net		(8,797,046)
Inventories		(455,682)
Other Assets		(1,783,088)
Accounts Payable		1,411,154
Salaries and Wages Payable		3,883,139
Deposits Payable		47,387
Unearned Revenue		1,093,645
Other Liabilities		(88,500)
Compensated Absences Payable		4,334,822
Other Postemployment Benefits Payable		11,625,000
Net Pension Liability		(28,372,206)
Deferred Outflows of Resources Related to Pensions		(28,504,362)
Deferred Inflows of Resources Related to Pensions		51,122,361
NET CASH USED BY OPERATING ACTIVITIES	$	(336,529,808)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES		
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$	(623,739)
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.	$	(925,962)

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 thirteen 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.

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

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

An annual audit of each 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 Associate Provost for Budget, Planning and Administration and Associate Vice President for Finance. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

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

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

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 blended and discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows 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 - University. Cash and cash equivalents consist of cash on hand and cash in demand accounts, money market funds, and investments with original maturities of three months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida

Statutes. The University also holds $36,227,258 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 $4,442,270 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	Short-Term Guaranteed Investment Contracts	Total
University of Central Florida Foundation, Inc.	$ 5,825,183	$ 9,075,781	$ -	$ 14,900,964
University of Central Florida Research Foundation, Inc.	6,031,952	13,582	-	6,045,534
UCF Athletics Association, Inc.	2,158,483	-	-	2,158,483
UCF Convocation Corporation	-	18,589,507	7,567,285	26,156,792
UCF Stadium Corporation	-	11,502,171	3,031,485	14,533,656
Central Florida Clinical Practice Organization, Inc.	1,278,994	-	-	1,278,994
Total Component Units Cash and Cash Equivalents	$ 15,294,612	$ 39,181,041	$ 10,598,770	$ 65,074,423

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 $2,717,328, $2,165,115, and $3,169,475, respectively.

UCF Convocation Corporation and UCF Stadium Corporation. These component units follow the investment policy of the University for managing credit risks. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporations' names. The money market funds invest in diversified portfolios of high-quality, dollar-denominated short-term debt securities. Short-term guaranteed investment contracts are investment vehicles that guarantee a return on principal invested in the account over the life of the investment. For the year ended June 30, 2015, the Corporations had benefit-responsive investment contracts with an insurance company that maintains the funds in guaranteed interest accounts. The accounts are credited with earnings on the underlying investments and are subject to plan withdrawals. The contracts are included in the financial statements at fair value as reported to the Corporations by the insurance company. Fair value represents contributions made under the contract, plus earnings, less plan withdrawals. There are no reserves against fair values for credit risk of the contract issuer or otherwise. For the 2014-15 fiscal year, the average yield and crediting interest rates were 5 percent for the UCF Convocation Corporation and 5 percent for the UCF Stadium Corporation, based on maturities through June 30, 2015. These assets are segregated and subject to withdrawal by the authorized trustee. The guaranteed investment contracts were purchased by the Corporations to invest the unused proceeds received from the issuance of debt.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the Corporations' investments in securities must provide sufficient liquidity to pay obligations as they come due.

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

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

Other Component Units

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

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest- bearing demand deposits, money market, and cash deposits swept on an overnight basis from operating bank accounts into interest-bearing money market accounts with maturity dates of less than 90 days. At June 30, 2015, approximately $10,423,212 in cash deposits were not insured by Federal deposit insurance and were not collateralized.
- **University of Central Florida Research Foundation, Inc. –** At June 30, 2015, the Research Foundation had deposits in banking institutions. A portion of the deposits, totaling $71,829, were in excess of the Federal deposit insurance limit as of June 30, 2015.

  The Research Foundation maintains a repurchase sweep account with a local bank. The target balance in the main operating account is "swept" overnight by the bank and is collateralized by mortgage-backed securities issued by the Federal National Mortgage Association and/or the Federal Home Loan Mortgage Corporation, which have been temporarily sold to the Research Foundation under the terms of the repurchase agreement. The balance in the repurchase account as of June 30, 2015, was $5,710,122. This amount is not included in the deposit amount uninsured by the Federal Deposit Insurance Corporation (FDIC).
- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are insured up to the FDIC limits. As of June 30, 2015, $1,925,574 of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.
- **Central Florida Clinical Practice Organization, Inc.** – At June 30, 2015, the Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling $1,119,653, were in excess of the Federal deposit insurance limit as of June 30, 2015.

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 estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $4 million for intangible assets, which includes computer software, and $5,000 for tangible personal property. New buildings and improvements have a $100,000 capitalization threshold. Depreciation is computed on the straight-line basis over the following estimated useful lives

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

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

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

2. Reporting Changes

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The University participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

3. Adjustments to Beginning Net Position

The beginning net position of the University was decreased by $86,114,799 due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the University to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple employer FRS and HIS defined benefit plans.

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

The University's investments at June 30, 2015, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$ 298,331,630
SBA Florida Prime	1,456
SBA Debt Service Accounts	1,410,046
Certificates of Deposit	490,777
United States Government and Federally Guaranteed Obligations	25,957,558
Federal Agency Obligations	33,845,058
Bonds and Notes	72,556,599
Mutual Funds:	
Equities	70,220,214
Bonds	8,781,075
Total University Investments	$ 511,594,413

Investments held by the University's component units at June 30, 2015, are reported at fair value, as follows:

Investment Type	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	Total
Equity - Domestic	$ 14,976,044	$ 688,202	$ 15,664,246
Equity - International	61,379,989	297,017	61,677,006
Domestic Fixed Income	39,915,612	-	39,915,612
International Fixed Income	13,374,612	-	13,374,612
Global All Assets	20,923,445	-	20,923,445
Hedge Funds	27,743,101	-	27,743,101
Private Equity Funds	73,817	-	73,817
Real Assets	7,975,326	-	7,975,326
Total Component Unit Investments	$ 186,361,946	$ 985,219	$ 187,347,165

External Investment Pools – State Treasury Special Purpose Investment Account

The University reported investments at fair value totaling $298,331,630 at June 30, 2015, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.67 years and fair value factor of 1.0013 at June 30, 2015. 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 $1,410,046 at June 30, 2015, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University and its component units in debt securities and bond mutual funds, and their future maturities at June 30, 2015, are as follows:

University Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years) Less Than 1	1 - 5	More Than 5
United States Government and Federally-Guaranteed Obligations	$ 25,957,558	$ 5,846,478	$ 13,844,498	$ 6,266,582
Federal Agency Obligations	33,845,058	3,445,281	10,894,711	19,505,066
Bonds and Notes	72,556,599	2,036,494	56,051,291	14,468,814
Mutual Funds - Bonds	8,781,075	295,099	4,866,915	3,619,061
Totals	$ 141,140,290	$ 11,623,352	$ 85,657,415	$ 43,859,523

Component Units' Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years) Less Than 1	1 - 5	More Than 5
Domestic Fixed Income	$ 39,915,612	$ 630,572	$ 38,913,725	$ 371,315
Global All Assets	13,987,907	-	7,110,841	6,877,066
Hedge Funds	2,001,338	-	2,001,338	-
International Fixed Income	13,374,612	9,147,685	-	4,226,927
Totals	$ 69,279,469	$ 9,778,257	$ 48,025,904	$ 11,475,308

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, 2015, of the University’s and its component units’ debt instruments using Moody’s and Standard and Poor’s, nationally recognized rating agencies:

University Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Federal Agency Obligations	$ 33,845,058	$ 33,845,058	$ -	$ -	$ -
Bonds and Notes	72,556,599	26,962,013	11,238,196	33,051,952	1,304,438
Mutual Funds	8,781,075	-	1,138,199	291,027	7,351,849
Totals	$ 115,182,732	$ 60,807,071	$ 12,376,395	$ 33,342,979	$ 8,656,287

Component Units' Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Domestic Fixed Income	$ 39,915,612	$ 696,045	$ 29,125,120	$ 239,498	$ 9,854,949
Global All Assets	13,987,907	-	-	7,110,841	6,877,066
Hedge Funds	2,001,338	-	-	-	2,001,338
International Fixed Income	13,374,612	-	-	9,147,685	4,226,927
Totals	$ 69,279,469	$ 696,045	$ 29,125,120	$ 16,498,024	$ 22,960,280

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

5. Receivables

Accounts Receivable. Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2015, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 23,325,180
Student Tuition and Fees	24,978,949
Other	5,129,911
Total Accounts Receivable	$ 53,434,040

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 $1,601,475 and $728,376, respectively, at June 30, 2015.

6. Due From State

The amount due from State consists of $46,465,479 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 24,821,959	$ -	$ -	$ 24,821,959
Works of Art and Historical Treasures	218,000	-	-	218,000
Construction in Progress	9,295,887	16,298,583	8,789,399	16,805,071
Total Nondepreciable Capital Assets	$ 34,335,846	$ 16,298,583	$ 8,789,399	$ 41,845,030
Depreciable Capital Assets:				
Buildings	$ 1,058,841,620	$ 13,379,547	$ -	$ 1,072,221,167
Infrastructure and Other Improvements	54,565,457	86,412	-	54,651,869
Furniture and Equipment	195,083,858	12,985,543	7,764,193	200,305,208
Library Resources	115,169,682	3,686,642	-	118,856,324
Leasehold Improvements	17,256,901	518,975	-	17,775,876
Works of Art and Historical Treasures	1,665,856	11,498	-	1,677,354
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Depreciable Capital Assets	1,450,433,809	30,668,617	7,764,193	1,473,338,233
Less, Accumulated Depreciation:				
Buildings	336,130,800	31,644,830	-	367,775,630
Infrastructure and Other Improvements	22,279,651	2,278,705	-	24,558,356
Furniture and Equipment	152,610,427	16,289,253	6,812,316	162,087,364
Library Resources	94,567,395	4,811,765	-	99,379,160
Leasehold Improvements	13,276,299	1,930,194	-	15,206,493
Works of Art and Historical Treasures	891,314	93,805	-	985,119
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Accumulated Depreciation	627,606,321	57,048,552	6,812,316	677,842,557
Total Depreciable Capital Assets, Net	$ 822,827,488	$ (26,379,935)	$ 951,877	$ 795,495,676

8. Unearned Revenue

Unearned revenue at June 30, 2015, includes contract and grant prepayments, auxiliary prepayments, and student tuition and fees prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2015, the University reported the following amounts as unearned revenue:

Description	Amount
Contract and Grant Prepayments	$ 6,834,358
Auxiliary Prepayments	7,443,616
Student Tuition and Fees	1,026,887
Total Unearned Revenue	$ 15,304,861

9. 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 outflows of resources includes the effect of deferring accumulated decreases in fair value of a hedging derivative related to this interest rate swap agreement. Accumulated decrease in the fair value of hedging derivatives for the year ended June 30, 2015, was $13,107,659. The Bonds Payable section of Note 10 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 $40,588,303 and deferred inflows of resources related to pensions were $51,122,361 for the year ended June 30, 2015. Note 11 includes a complete discussion of defined benefit pension plans.

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2015, 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, 2015, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 151,540,727	$ -	$ 9,062,381	$ 142,478,346	$ 8,345,000
Bonds Payable	55,380,000	-	1,295,000	54,085,000	1,355,000
Installment Purchase Payable	950,000	-	950,000	-	-
Compensated Absences Payable	43,310,977	7,313,383	2,950,500	47,673,860	3,337,170
Other Postemployment Benefits Payable	48,177,000	12,943,000	1,318,000	59,802,000	-
Net Pension Liability (1)	98,198,740	34,834,092	63,206,298	69,826,534	1,437,069
Interest Rate Swap	11,219,057	1,888,602	-	13,107,659	-
Other Noncurrent Liabilities	6,793,332	136,053	328,580	6,600,805	-
Total Long-Term Liabilities	$ 415,569,833	$ 57,115,130	$ 79,110,759	$ 393,574,204	$ 14,474,239

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68. See Notes 2 and 3 to the financial statements.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2015:

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	$ 6,526,793	4.0 to 4.5	2021
2007A - Housing	38,780,000	30,060,364	4.0 to 5.5	2030
2012A - Housing	66,640,000	66,315,799	3.0 to 5.0	2042
Total Student Housing Debt	119,475,000	102,902,956		
Student Health Center Debt:				
2004A	8,000,000	4,396,920	4.4 to 5.0	2024
Parking Garage Debt:				
2004A - Parking Garage V	18,455,000	7,851,933	3.75 to 4.20	2024
2010A - Parking Garage VI	3,855,000	714,585	4.0	2016
2010B - Parking Garage VI	11,140,000	11,140,000	4.5 to 6.2	2029
2011A - Parking Garage	11,005,000	7,945,813	3.0 to 5.0	2022
2012A - Parking Garage	7,860,000	7,526,139	3.0 to 5.0	2032
Total Parking Garage Debt	52,315,000	35,178,470		
Total Capital Improvement Debt	$ 179,790,000	$ 142,478,346		

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

The University has pledged a portion of future housing rental, parking revenues, and health service facility fees based on credit hours to repay $179,790,000 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 $199,727,603, and principal and interest paid for the current year totaled $15,359,437. During the 2014-15 fiscal year, the University retired the Bookstore Revenue Bonds 1997. Operating revenues generated from housing rentals, parking revenues, and student health fees totaled $29,074,662, $20,900,616, and $16,610,465, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 8,345,000	$ 6,181,489	$ 14,526,489
2017	8,155,000	5,818,121	13,973,121
2018	8,520,000	5,430,116	13,950,116
2019	8,355,000	5,013,526	13,368,526
2020	8,745,000	4,603,128	13,348,128
2021-2025	38,260,000	17,050,273	55,310,273
2026-2030	32,085,000	9,033,444	41,118,444
2031-2035	11,565,000	4,361,644	15,926,644
2036-2040	10,765,000	2,241,769	13,006,769
2041-2042	4,985,000	214,093	5,199,093
Subtotal	139,780,000	59,947,603	199,727,603
Net Discounts and Premiums	2,698,346		2,698,346
Total	$ 142,478,346	$ 59,947,603	$ 202,425,949

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 4.47 percent at June 30, 2015. 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, 2015, are as follows:

Fiscal Year	Bonds Payable		Interest	Net Cash
Ending June 30	Principal	Interest	Rate Swap	Flows
2016	$ 1,355,000	$ 2,366,759	$ 48,677	$ 3,770,436
2017	1,415,000	2,307,464	47,457	3,769,921
2018	1,490,000	2,245,544	46,184	3,781,728
2019	1,555,000	2,180,342	44,843	3,780,185
2020	1,630,000	2,112,295	43,443	3,785,738
2021-2025	9,360,000	9,423,058	193,802	18,976,860
2026-2030	11,780,000	7,173,355	147,533	19,100,888
2031-2035	14,825,000	4,341,648	89,294	19,255,942
2036-2038	10,675,000	948,716	19,512	11,643,228
Total	$ 54,085,000	$ 33,099,181	$ 680,745	$ 87,864,926

The Corporation entered into an interest rate swap agreement in connection with $60 million variable-rate bond issuance as a means to lower its borrowing costs when compared with fixed-rate bonds at the time of their issuance in June 2007. The 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 (0.05 percent at June 30, 2015). The variable-rate coupons of the bonds are reset weekly by the remarketing agent. As of June 30, 2015, the Corporation was not exposed to credit risk on this interest rate swap agreement because it had a negative fair value of $13,107,659, 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, 2015, to cancel the interest rate swap agreement. The liability is estimated based on valuation models. If interest rates change and the fair value of the interest rate swap agreement becomes positive, the Corporation would have a gross exposure to credit risk in the amount of the derivative's fair value. In accordance with the Corporation's policy to mitigate the potential for credit risk, the Corporation 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, 2015, collateralization was not required due to the swap agreement having a negative fair value.

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

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $47,673,860. The current portion of the compensated absences liability, $3,337,170, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the 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 2014-15 fiscal year, 422 retirees received postemployment healthcare benefits. The University provided required contributions of $1,318,000 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 $2,994,000, which represents 0.9 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 Plan, and changes in the University's net OPEB obligation:

Description	**Amount**
Normal Cost (Service Cost for One Year)	$ 7,754,000
Amortization of Unfunded Actuarial Accrued Liability	4,444,000
Interest on Normal Cost and Amortization	488,000
Annual Required Contribution	12,686,000
Interest on Net OPEB Obligation	1,927,000
Adjustment to Annual Required Contribution	(1,670,000)
Annual OPEB Cost (Expense)	12,943,000
Contribution Toward the OPEB Cost	(1,318,000)
Increase in Net OPEB Obligation	11,625,000
Net OPEB Obligation, Beginning of Year	48,177,000
Net OPEB Obligation, End of Year	$ 59,802,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 11,519,000	16.1%	$ 35,492,000
2013-14	14,095,000	10.0%	48,177,000
2014-15	12,943,000	10.2%	59,802,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $141,984,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $141,984,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $333,695,268 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 42.5 percent.

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

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

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the University's 2014-15 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.21 percent, 7.89 percent, and 7.59 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 6.95 percent, 7.64 percent, and 7.75 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 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 22 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, 2015, the University's proportionate share of the net pension liabilities totaled $69,826,534. Note 11 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, 2015, this interest rate swap agreement had a negative fair value of $13,107,659.

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 $6,470,375 as of June 30, 2015.

Certificate of Participation Payable – Component Units. During the 2004-05 and 2005-06 fiscal years, two certificates of participation were issued by the UCF Convocation Corporation to fund the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space. Also during the 2005-06 fiscal year, the UCF Convocation Corporation issued two additional certificates of participation to fund the acquisition, construction, and installation of a new convocation center, renovation of the existing University Arena, and construction of related infrastructure.

The UCF Convocation Corporation extinguished Certificate of Participation long-term debt obligations by the issuance of new Certificate of Participation debt instruments as follows:

- On May 29, 2014, the UCF Convocation Corporation issued a $58,645,000 Refunding Certificate of Participation, Series 2014A to a bank. The certificate will mature on October 1, 2034, and bears interest at a fixed rate of 3.61 percent per annum. Proceeds of $58,482,785 from the Refunding Certificate plus an additional $1,236,784 from a Series 2004A account were used to purchase $59,719,569 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2004A tax-exempt certificates, which defeased the certificates. The trust extinguished the defeased certificates on October 1, 2014. As a result of the refunding, the UCF Convocation Corporation reduced its capital improvement debt service requirement by $9,893,750 over the next 20 years and obtained an economic gain of $6,944,510.
- On October 9, 2014, the UCF Convocation Corporation issued a $58,930,000 Refunding Certificate of Participation, Series 2014B to a bank. The certificate will mature on October 1, 2035, and bears interest at a fixed rate of 3.8 percent per annum. Proceeds of $58,770,583 from the Refunding Certificate plus an additional $1,577,608 from the Series 2005A account were used to purchase $60,348,191 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2005A tax-exempt certificates, which defeased the certificates. The trust assets and the liability for the defeased certificates are not included in the statement of net position. The trust extinguished the debt on October 1, 2015. At June 30, 2015, the outstanding balance of the defeased debt was $57,555,000. As a result of the refunding, the UCF Convocation Corporation reduced its capital improvement debt service requirement by $7,386,158 over the next 20 years and obtained an economic gain of $3,469,972.

The outstanding balance of the remaining UCF Convocation Corporation certificates at June 30, 2015, was $208,775,000, before an unamortized premium of $899,991.

During the 2006-07 fiscal year, certificates of participation were issued by the UCF Stadium Corporation for the construction of a football stadium on the campus of the University. The outstanding balance of all UCF Stadium Corporation certificates, including the new tax-exempt certificates mentioned in the paragraph below, at June 30, 2015, was $43,470,000, before an unamortized premium of $376,253. The certificates are secured by a pledge from the UCF Athletic Association, Inc., of gross ticket revenues, Association rent, conference distributions, and sponsorship revenue.

In December 2014, the UCF Stadium Corporation issued a $4,010,000 tax-exempt certificate of participation to finance a portion of the costs of designing, acquiring, constructing, and equipping an approximately 22,500 square-foot Student Leadership Center facility. The facility will provide ample space for increased student services as well as room to house the athletic compliance offices and career services programming. The certificate is secured by a pledge from the UCF Athletics Association of gross ticket revenues, Association rent, conference distributions, and sponsorship revenue. The certificate will mature in March 2029 and bears interest at a fixed rate of 2.49 percent per annum.

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

In addition, the University has entered into various support agreements with UCF Convocation Corporation whereby, in the event of certain deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies. For the fiscal year ended June 30, 2015, transfers from the University totaled $1,798,985.

Also, in fiscal year 2015, the UCF Convocation Corporation met requirements necessary to release certain restricted funds held by the Convocation Corporation's trustee. The Convocation Corporation's governing board made the decision to remit these funds back to the University. Transfers to the University were $185,810 for the fiscal year ended June 30, 2015.

Loans and Notes Payable – Component Units. In October 1997, the University of Central Florida Foundation, Inc., signed renewal annuity notes payable with two Charitable Remainder Annuity Trusts for which the Foundation is named as irrevocable beneficiary. As of June 30, 2015, the outstanding principal balance of the notes payable was $1,963,551 and annuity obligations were $529,784. The notes mature in October 2017.

During the 2004-05 fiscal year, the University of Central Florida Foundation, Inc., entered into two notes of $2,800,000 and $10,400,000, respectively, with banks for the purchase of land and buildings. The $10,400,000 note was refinanced during the 2008-09 fiscal year. The notes are secured by the land, buildings, and lease revenues. The combined outstanding balances of the notes payable were $9,340,000 at June 30, 2015 and the notes mature in April 2016 and April 2029, respectively.

During the 2007-08 fiscal year, the UCF Stadium Corporation entered into a loan agreement with a bank for $16,700,000. The proceeds of the loan were used to purchase all of the formerly issued and outstanding Series 2006B taxable certificates of participation. Those certificates of participation are held in trust and have been registered in the name of the bank as pledgee. The note is payable from and secured by a lien upon and pledge of all payments received with respect to the certificates. The outstanding balance of the note payable at June 30, 2015, was $11,430,000, and the loan matures in April 2016.

During the 2009-10 fiscal year, the University of Central Florida Foundation, Inc., entered into a loan agreement with a bank for $19,925,000. The note is comprised of both tax-exempt and taxable portions. The note is secured by buildings and lease revenue. The outstanding balance for both the taxable and tax exempt portions was $15,925,000 and the loan matures in October 2025.

The University of Central Florida Foundation, Inc., entered into a $2,450,000 line of credit with a credit union in November 2004, for construction of the Alumni Center. As of June 30, 2015, the outstanding principal balance of the line of credit was $161,713.

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 in June 2033, and the repayment schedule assumes the agreement is renewed annually. If the agreement is not renewed, the entire balance will be due in full at that time. In June 2015, the UCF Athletics Association renewed the agreement until July 2016, which carries interest at 67 percent of LIBOR plus 1.34 percent (1.46 percent at June 30, 2015). 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 Athletic Conference. As of June 30, 2015, the amount outstanding on the note was $6,434,999.

In June 2015, the UCF Athletics Association, Inc., also renewed an operating line of credit agreement with a local bank for $2,000,000. The line carries an interest rate of LIBOR plus 2.00 percent (2.18 percent at June 30, 2015). 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, 2015, there was no amount outstanding on the operating line of credit.

Due to University – Component Units. The UCF Athletics Association received several loans from the University between 2004 and 2007. In 2009, those loans were consolidated into one loan. In July 2015, the Board of Trustees approved an amendment to the previous payment schedule. The amended payment schedule reduced the fiscal year 2015 payment from $750,000 to $400,000. A payment of $3,031,485 is required for fiscal year 2016 with future years' payments ranging from $500,000 to $1,200,000. The loan matures in fiscal year 2025 and bears interest at a variable rate equal to the preceding fiscal year's average SPIA rate of return. As of June 30, 2015, the amount outstanding, including interest, totaled $9,946,557.

11. 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 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 (SMSC) 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 Florida Retirement System 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 pension expense totaled $9,161,965 for the 2014-15 fiscal year for both the FRS Pension Plan and HIS Program.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple employer defined benefit pension plan, with a Deferred Retirement Option Program (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 chart 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
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk	3.00	19.82
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled $13,120,834 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of $29,549,660 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.48 percent, which was an increase of 0.12 from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $6,178,887. 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	$ -	$ 1,828,622
Change of assumptions	5,117,509	-
Net difference between projected and actual earnings on pension plan investments	-	49,293,739
Changes in proportion and differences between University contributions and proportionate share of contributions	17,947,514	-
University contributions subsequent to the measurement date	13,120,834	-
Total	$ 36,185,857	$ 51,122,361

The deferred outflows of resources related to pensions totaling $13,120,834, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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**
2016	$ (8,316,567)
2017	(8,316,567)
2018	(8,316,567)
2019	(8,316,566)
2020	4,006,868
Thereafter	1,202,061
Total	$ (28,057,338)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2014, 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 as presented in the FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

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

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability (asset)	$ 126,387,820	$ 29,549,660	$ (51,001,212)

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

Payables to the Pension Plan. At June 30, 2015, the University reported a payable of $839,169 for the outstanding amount of contributions in the pension plan required for the fiscal year ended June 30, 2015.

<u>HIS Pension Plan</u>

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, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $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, 2015, the contribution rate was 1.26 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 $1,795,341 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of $40,276,874 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 pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.43 percent, which was an increase of 0.01 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the University recognized pension expense of $2,983,076. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Change of assumptions	$ 1,433,211
Net difference between projected and actual earnings on HIS pension plan investments	19,334
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,154,560
University contributions subsequent to the measurement date	1,795,341
Total	$ 4,402,446

The deferred outflows of resources totaling $1,795,341 was related to pensions resulting from University contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2016	$ 422,216
2017	422,216
2018	422,216
2019	422,214
2020	417,382
Thereafter	500,861
Total	$ 2,607,105

Actuarial Assumptions. The total pension liability in the July 1, 2014, 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	4.29 percent

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 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.

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 4.29 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 (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	**Current Discount Rate (4.29%)**	**1% Increase (5.29%)**
University's proportionate share of the net pension liability	$ 45,811,682	$ 40,276,874	$ 35,656,892

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

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The State Board of Administration (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 plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan member accounts during the 2014-15 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, 2015, 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 $3,829,240 for the fiscal year ended June 30, 2015, which includes an unfunded actuarial liability contribution for the FRS pension plan and a contribution for the postemployment health insurance subsidy.

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, 2.54 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, less a small amount used to cover administrative costs, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $14,751,397, which includes the unfunded actuarial liability contribution, and employee contributions totaled $9,917,294 for the 2014-15 fiscal year

13. Construction Commitments

The University's major construction commitments at June 30, 2015, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Global Achievement Building	$ 15,302,756	$ 3,695,695	$ 11,607,061
Bennett Building Renovations	5,208,935	2,641,641	2,567,294
Libra Drive Widening Project	4,254,988	506,448	3,748,540
Interdisciplinary Research & Incubator Facility	2,522,731	624,838	1,897,893
CARP II Road Improvements Project	1,121,967	239,671	882,296
Subtotal	28,411,377	7,708,293	20,703,084
Other Projects (1)	11,134,857	9,096,778	2,038,079
Total	$ 39,546,234	$ 16,805,071	$ 22,741,163

Note: (1) Individual projects with current balance committed of less than $500,000 at June 30, 2015.

14. Operating Lease Commitments

The University leased buildings under operating leases, which expire in various intervals through 2036. 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
2016	$ 12,751,416
2017	12,978,569
2018	12,685,418
2019	12,118,312
2020	9,063,105
2021-2025	14,234,597
2026-2030	11,000,000
2031-2035	11,000,000
2036	2,200,000
Total Minimum Payments Required	$ 98,031,417

The University of Central Florida Foundation, Inc., receives rents and reimbursements 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, 2015, were $9,009,515.

The University has also entered into lease and rental agreements with the UCF Convocation Corporation for use of the Convocation Center, parking garages, and various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year ended June 30, 2015, totaled $4,623,582.

15. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2014-15 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $54 million for named windstorm and flood losses. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

University Self-Insured Program.

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

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

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2013-14 and 2014-15 fiscal years are presented in the following table:

Fiscal Year	Claims Liability Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claims Liability End of Year
June 30, 2014	$ 43,303	$ (5,750)	$ -	$ 37,553
June 30, 2015	37,553	6,099	323	43,329

16. 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.

17. 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	$ 278,683,118
Research	114,511,402
Public Services	6,997,990
Academic Support	62,698,897
Student Services	50,626,401
Institutional Support	95,556,364
Operation and Maintenance of Plant	43,495,578
Scholarships and Fellowships	87,874,507
Depreciation	57,048,552
Auxiliary Enterprises	82,398,044
Loan Operations	328,042
Total Operating Expenses	$ 880,218,895

18. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's 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 Service Capital Improvement Debt
Assets			
Current Assets	$ 15,956,579	$ 14,278,373	$ 7,577,708
Capital Assets, Net	100,479,457	57,475,891	8,089,036
Other Noncurrent Assets	11,267,785	10,427,181	8,045,005
Total Assets	127,703,821	82,181,445	23,711,749
Liabilities			
Current Liabilities	8,881,062	4,429,683	1,037,155
Noncurrent Liabilities	98,964,702	31,829,452	4,672,071
Total Liabilities	107,845,764	36,259,135	5,709,226
Net Position			
Net Investment in Capital Assets	(2,423,499)	22,297,422	3,692,116
Restricted - Expendable	11,081,265	10,245,659	8,014,165
Unrestricted	11,200,291	13,379,229	6,296,242
Total Net Position	$ 19,858,057	$ 45,922,310	$ 18,002,523

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

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Capital Improvement Debt
Operating Revenues	$ 29,074,663	$ 20,900,616	$ 21,388,974
Depreciation Expense	(4,908,482)	(2,369,342)	(438,880)
Other Operating Expenses	(14,830,635)	(10,993,631)	(15,455,625)
Operating Income	9,335,546	7,537,643	5,494,469
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	421,354	556,120	233,465
Interest Expense	(4,552,358)	(1,485,972)	(229,938)
Other Nonoperating Expense	(354)	(16,092)	(430)
Net Nonoperating Revenues (Expenses)	(4,131,358)	(945,944)	3,097
Other Revenues, Expenses, Gains, or Losses	(2,176,359)	(1,250,756)	(1,990,468)
Increase in Net Position	3,027,829	5,340,943	3,507,098
Net Position, Beginning of Year	16,830,228	40,581,367	14,495,425
Net Position, End of Year	$ 19,858,057	$ 45,922,310	$ 18,002,523

Condensed Statement of Cash Flows

	Housing Capital Improvement Debt	Parking Capital Improvement Debt	Health Service Capital Improvement Debt
Net Cash Provided (Used) by:			
Operating Activities	$ 13,719,906	$ 9,702,332	$ 6,058,430
Noncapital Financing Activities	(2,123,706)	(1,244,497)	(1,949,257)
Capital and Related Financing Activities	(10,866,313)	(6,034,509)	(769,115)
Investing Activities	(435,243)	(2,186,410)	(3,057,712)
Net Increase in Cash and Cash Equivalents	294,644	236,916	282,346
Cash and Cash Equivalents, Beginning of Year	1,843,288	1,561,862	909,416
Cash and Cash Equivalents, End of Year	$ 2,137,932	$ 1,798,778	$ 1,191,762

19. 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:						
Current Assets	$ 4,737,708	$ 3,672,259	$ 8,409,967	$ 556,811,469	$ -	$ 565,221,436
Capital Assets, Net	-	-	-	837,340,706	-	837,340,706
Due From University / Blended CU	49,705,631	-	49,705,631	-	(49,705,631)	-
Other Noncurrent Assets	-	-	-	122,492,257	-	122,492,257
Total Assets	54,443,339	3,672,259	58,115,598	1,516,644,432	(49,705,631)	1,525,054,399
Deferred Outflows of Resources	13,107,659	-	13,107,659	40,588,303	-	53,695,962
Liabilities:						
Current Liabilities	1,571,740	46,329	1,618,069	80,211,225	-	81,829,294
Due To University / Blended CU	-	-	-	49,705,631	(49,705,631)	-
Other Noncurrent Liabilities	65,837,659	-	65,837,659	313,262,306	-	379,099,965
Total Liabilities	67,409,399	46,329	67,455,728	443,179,162	(49,705,631)	460,929,259
Deferred Inflows of Resources	-	-	-	51,122,361	-	51,122,361
Net Position:						
Net Investment in Capital Assets	-	-	-	646,845,968	-	646,845,968
Restricted - Expendable	141,599	3,625,930	3,767,529	174,966,257	-	178,733,786
Unrestricted	-	-	-	241,118,987	-	241,118,987
Total Net Position	$ 141,599	$ 3,625,930	$ 3,767,529	$ 1,062,931,212	$ -	$ 1,066,698,741

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	$ -	$ 183,334	$ 183,334	$ 481,112,526	$ (171,949)	$ 481,123,911
Depreciation Expense	-	-	-	(57,048,552)	-	(57,048,552)
Other Operating Expenses	(200,024)	(109,076)	(309,100)	(822,850,792)	(10,451)	(823,170,343)
Operating Income (Loss)	(200,024)	74,258	(125,766)	(398,786,818)	(182,400)	(399,094,984)
Nonoperating Revenues (Expenses):						
Nonoperating Revenue	2,774,464	43,825	2,818,289	454,735,648	(2,901,318)	454,652,619
Interest Expense	(2,430,951)	-	(2,430,951)	(6,312,781)	-	(8,743,732)
Other Nonoperating Expense	(143,489)	-	(143,489)	(39,450,031)	3,083,718	(36,509,802)
Net Nonoperating Revenues	200,024	43,825	243,849	408,972,836	182,400	409,399,085
Other Revenues, Expenses, Gains, and Losses	-	-	-	20,348,142	-	20,348,142
Increase in Net Position	-	118,083	118,083	30,534,160	-	30,652,243
Net Position, Beginning of Year	141,599	3,507,847	3,649,446	1,118,511,851	-	1,122,161,297
Adjustment to Beginning Net Position	-	-	-	(86,114,799)	-	(86,114,799)
Net Position, Beginning of Year, as Restated	141,599	3,507,847	3,649,446	1,032,397,052	-	1,036,046,498
Net Position, End of Year	$ 141,599	$ 3,625,930	$ 3,767,529	$ 1,062,931,212	$ -	$ 1,066,698,741

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	$ (201,405)	$ 122,274	$ (79,131)	$ (336,267,343)	$ (183,334)	$ (336,529,808)
Noncapital Financing Activities	-	-	-	416,250,285	2,614,866	418,865,151
Capital and Related Financing Activities	(1,293,368)	-	(1,293,368)	(58,803,921)	(2,431,532)	(62,528,821)
Investing Activities	19,268	(29,156)	(9,888)	(24,931,071)	-	(24,940,959)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,475,505)	93,118	(1,382,387)	(3,752,050)	-	(5,134,437)
Cash and Cash Equivalents, Beginning of Year	6,090,733	1,507,655	7,598,388	47,326,080	-	54,924,468
Cash and Cash Equivalents, End of Year	$ 4,615,228	$ 1,600,773	$ 6,216,001	$ 43,574,030	$ -	$ 49,790,031

20. 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	$ 21,835,234	$ 10,574,452	$ 5,181,854	$ 18,510,462	$ 9,846,897	$ 65,948,899	$ 1,432,677	$ 67,381,576
Capital Assets, Net	77,344,019	-	15,558,743	162,995,918	49,047,461	304,946,141	260,344	305,206,485
Other Noncurrent Assets	190,739,045	985,219	-	13,270,404	9,822,026	214,816,694	-	214,816,694
Total Assets	289,918,298	11,559,671	20,740,597	194,776,784	68,716,384	585,711,734	1,693,021	587,404,755
Deferred Outflows of Resources	69,847	-	-	690,274	-	760,121	-	760,121
Liabilities:								
Current Liabilities	5,169,748	6,551,745	6,951,178	11,126,206	16,654,897	46,453,774	161,077	46,614,851
Noncurrent Liabilities	27,426,417	-	13,588,436	203,209,991	42,418,253	286,643,097	-	286,643,097
Total Liabilities	32,596,165	6,551,745	20,539,614	214,336,197	59,073,150	333,096,871	161,077	333,257,948
Net Position:								
Net Investment in Capital Assets	52,148,866	-	9,044,312	(44,185,610)	(3,005,436)	14,002,132	260,344	14,262,476
Restricted	186,124,842	762,867	-	23,724,932	12,233,249	222,845,890	-	222,845,890
Unrestricted	19,118,272	4,245,059	(8,843,329)	1,591,539	415,421	16,526,962	1,271,600	17,798,562
Total Net Position	$ 257,391,980	$ 5,007,926	$ 200,983	$ (18,869,139)	$ 9,643,234	$ 253,374,984	$ 1,531,944	$ 254,906,928

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	$ 31,170,354	$ 7,333,827	$ 43,687,785	$ 28,975,125	$ 2,953,792	$ 114,120,883	$ 1,811,810	$ 115,932,693
Depreciation Expense	(1,925,514)	-	(821,982)	(5,990,449)	(1,629,227)	(10,367,172)	(114,714)	(10,481,886)
Operating Expenses	(37,816,233)	(6,651,573)	(41,457,855)	(14,783,206)	(326,893)	(101,035,760)	(852,928)	(101,888,688)
Operating Income	(8,571,393)	682,254	1,407,948	8,201,470	997,672	2,717,951	844,168	3,562,119
Net Nonoperating Revenues (Expenses)								
Nonoperating Revenues	8,962,491	231,661	271,229	2,267,064	5,834,943	17,567,388	514,456	18,081,844
Interest Expense	-	-	(194,643)	(9,126,308)	(1,974,721)	(11,295,672)	-	(11,295,672)
Other Nonoperating Expenses	(34,145)	-	(905,121)	(2,785,810)	-	(3,725,076)	(150,293)	(3,875,369)
Net Nonoperating Revenues (Expenses)	8,928,346	231,661	(828,535)	(9,645,054)	3,860,222	2,546,640	364,163	2,910,803
Other Revenues, Expenses, Gains, and Losses	3,786,805	-	-	-	-	3,786,805	-	3,786,805
Increase (Decrease) in Net Position	4,143,758	913,915	579,413	(1,443,584)	4,857,894	9,051,396	1,208,331	10,259,727
Net Position, Beginning of Year	253,248,222	4,094,011	(378,430)	(17,425,555)	4,785,340	244,323,588	323,613	244,647,201
Net Position, End of Year	$ 257,391,980	$ 5,007,926	$ 200,983	$ (18,869,139)	$ 9,643,234	$ 253,374,984	$ 1,531,944	$ 254,906,928

21. Current Unrestricted Funds

The Southern Association of Colleges and Schools, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented, as follows:

Statement of Current Unrestricted Funds Net Position

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 34,550,306
Investments	378,416,282
Accounts Receivable, Net	28,865,249
Due from Component Units	3,492,364
Inventories	2,446,206
Other Current Assets	5,658,202
Total Current Assets	453,428,609
Noncurrent Assets:	
Due from Component Units	6,915,072
TOTAL ASSETS	460,343,681
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	40,588,303
LIABILITIES	
Current Liabilities:	
Accounts Payable	10,959,026
Salaries and Wages Payable	11,373,250
Deposits Payable	350,036
Due to Component Units	203,832
Due to Other Funds	59,656
Unearned Revenue	8,470,503
Compensated Absences Payable	3,335,206
Net Pension Liability	1,437,069
Total Current Liabilities	36,188,578
Noncurrent Liabilities:	
Compensated Absences Payable	44,310,593
Other Postemployment Benefits Payable	59,802,000
Net Pension Liability	68,389,465
TOTAL LIABILITIES	208,690,636
DEFERRED INFLOWS OF RESOURCES	
Deferred Amounts Related to Pensions	51,122,361
TOTAL NET POSITION	$ 241,118,987

Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Position

REVENUES	
Operating Revenues:	
Student Tuition and Fees (Pledged for Capital Improvement Debt: $16,610,465 for Student Health and $13,816,823 for Parking) (1)	$ 390,975,384
Federal Grants and Contracts	4,843
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: $29,041,650 for Housing and $6,059,266 for Parking)	69,459,152
Other Operating Revenues (Pledged for Capital Improvement Debt: $33,012 for Housing and $1,024,527 for Parking)	4,074,430
Total Operating Revenues	464,513,809
EXPENSES	
Operating Expenses:	
Compensation and Employee Benefits	461,893,158
Services and Supplies	133,792,684
Utilities and Communications	23,440,528
Scholarships, Fellowships, and Waivers	50,901,571
Total Operating Expenses	670,027,941
Operating Loss	(205,514,132)
NONOPERATING REVENUES (EXPENSES)	
State Noncapital Appropriations	301,945,200
Investment Income	8,325,495
Other Nonoperating Revenues	8,199,404
Other Nonoperating Expenses	(25,377,791)
Net Nonoperating Revenues	293,092,308
Income Before Other Revenues, Expenses, Gains, or Losses	87,578,176
Capital Grants, Contracts, Donations, and Fees	1,000
Transfers to/from Other Funds	(70,293,399)
Increase in Net Position	17,285,777
Net Position, Beginning of Year	309,948,009
Adjustment to Beginning Net Position (2)	(86,114,799)
Net Position, Beginning of Year, as Restated	223,833,210
Net Position, End of Year	$ 241,118,987

Notes: (1) Student tuition and fees revenue are reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in the student tuition and fees revenue for the purpose of this disclosure.

(2) Adjustments to beginning net position due to the implementation of GASB Statement No. 68, which requires employers participating in cost-sharing multiple employer defined pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

22. Subsequent Events

In August 2015, the UCF Convocation Corporation issued Refunding Revenue Bonds, Series 2015A of $48,385,000 and Taxable Refunding Revenue Bonds, Series 2015B of $34,775,000 to a bank. The Series 2015A bonds were issued with a net premium of $1,141,101, and Series 2015B bonds were issued at par. These issuances include both term and serial bonds with maturity dates extending through October 2035 and interest rates ranging from 0.75 percent to 5.0 percent. Proceeds of $83,616,682 from the Refunding Revenue Bonds Series 2015A and taxable Series 2015B (Series 2015 bonds) plus an additional $10,952,357 from the original issuance of the Series 2005A and 2005B certificates were used to purchase $94,569,039 of U.S. Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding 2005A and 2005B certificates, which defeased the certificates. The UCF Convocation Corporation extinguished the debt on October 1, 2015.

The defeasance of the 2005A and 2005B certificates terminated the ground lease agreement between the University and the UCF Convocation Corporation, resulting in the UCF Convocation Corporation transferring $71 million in net carrying value of related buildings and improvements to the University. Pursuant to the Operating Agreement between the University and the UCF Convocation Corporation, the UCF Convocation Corporation will continue to operate and maintain the facilities, and the University will relinquish its right to the future revenues earned by the facilities to the UCF Convocation Corporation. The revenues generated by and through such operation will secure repayment of the Series 2015 bonds.

In December 2015, the Corporation issued Refunding Revenue Bonds, Series 2015A of $33,995,000 and Taxable Refunding Revenue Bonds, Series 2015B of $10,250,000 to a bank. The Series 2015A bonds were issued with a net premium of $2,332,576, and the Series 2015B bonds were issued at par. These issuances include both term and serial bonds with maturity dates extending through March 2036 and interest rates ranging from 1.60 percent to 5.15 percent. Proceeds of $46,577,576 from the Refunding Revenue Bonds minus issuance-related costs of $432,396, plus an additional $5,312,062 from the Stadiums Debt Service Reserve funds were used to purchase $40,376,088 of U.S. Treasury State and Local Government Series Securities and $11,081,154 was used to extinguish the Series 2006B taxable certificates. The securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding Series 2006A certificates, which defeased the certificates. The Corporation expects to extinguish the Series 2006A certificates on March 1, 2016.

The defeasance of the Series 2006A certificates and extinguishment of the Series 2006B certificates terminated the ground lease agreement between the University and the UCF Stadium Corporation, resulting in the UCF Stadium Corporation transferring $46 million in net carrying value of all buildings and improvements to the University. Pursuant to the Operating Agreement between the University and the UCF Stadium Corporation, the UCF Stadium Corporation will continue to operate and maintain the football stadium, and the University will relinquish its right to the future revenues earned by the football stadium to the UCF Stadium Corporation. The revenues generated by and through such operation will secure repayment of the Series 2015 bonds.

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]
7/1/2009	$ -	$ 83,256,000	$ 83,256,000	0%	$ 255,712,129	32.6%
7/1/2011	-	118,673,000	118,673,000	0%	280,490,639	42.3%
7/1/2013 (2)	-	141,984,000	141,984,000	0%	305,107,256	46.5%

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

(2) The July 1, 2013, unfunded actuarial liability of $141,984,000 was higher than the July 1, 2011, liability of $118,673,000 primarily as a result of a lower than expected increase in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

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

	2014 (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.48%	0.36%
University's proportionate share of the FRS net pension liability	$ 29,549,660	$ 62,036,419
University's covered-employee payroll (2)	$ 305,107,256	$ 289,894,138
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	9.69%	21.40%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.09%	88.54%

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

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

Schedule of University Contributions –
Florida Retirement System Pension Plan

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

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

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

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

	2014 (1)	**2013** (1)
University's proportion of the HIS net pension liability	0.43%	0.42%
University's proportionate share of the HIS net pension liability	$ 40,276,874	$ 36,162,321
University's covered-employee payroll (2)	$ 127,489,508	$ 122,964,996
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.59%	29.41%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.99%	1.78%

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

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

Schedule of University Contributions –
Health Insurance Subsidy Pension Plan

	2015 (1)	**2014** (1)
Contractually required HIS contribution	$ 1,795,341	$ 1,475,630
HIS contributions in relation to the contractually required contribution	(1,795,341)	(1,475,630)
HIS contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll (2)	$ 140,702,712	$ 127,489,508
HIS contributions as a percentage of covered-employee payroll	1.28%	1.16%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Schedule of Net Pension Liability And Schedule of Contributions – Florida Retirement System Pension Plan

Changes of assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3.00 percent to 2.60 percent, the real payroll growth assumption was decreased from 1.00 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4.00 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

Changes of assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

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The President of the Senate, the Speaker of the
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Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 11, 2015, 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 of 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 the **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*** 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
December 11, 2015