



**AUDITOR GENERAL**  
DAVID W. MARTIN, CPA



**UNIVERSITY OF CENTRAL FLORIDA**

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the University was Dr. John C. Hitt. Members of the University's Board of Trustees who served during the audit period are listed below:

**Board Member**

Richard Nunis, Chair to 1-17-07  
Richard Walsh, Chair from 1-18-07  
Thomas Yochum, Vice-Chair  
Judith Albertson  
Olga Calvet  
Manoj Chopra (1)  
Patrick Christiansen  
Alan S. Florez  
Brandie Hollinger from 5-08-07 (2)  
Phyllis Klock  
Harris Rosen  
Conrad Santiago  
Al Weiss  
Mark White to 5-07-07 (2)

Notes: (1) Faculty senate chair.  
(2) Student body president.

UNIVERSITY OF CENTRAL FLORIDA

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**EXECUTIVE SUMMARY**

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The audit of the financial statements of University of Central Florida for the fiscal year ended June 30, 2007, was conducted pursuant to Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the University, a component unit of the State of Florida, and a determination as to whether management has complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the University is included in our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2008-104.

The following provides a summary of the findings of our audit of the University's financial statements:

- We found that the University's financial statements presented fairly, in all material respects, the financial positions of the University and its aggregate discretely presented component units as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- No significant deficiencies are noted in our report on the University's internal control over financial reporting.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, except that our operational audit of the University disclosed that the University did not comply with certain statutory requirements related to student athletic fees as discussed in the Compliance and Other Matters section of this report.

This audit was coordinated by Keith A. Wolfe, CPA, and supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at [tedsauerbeck@aud.state.fl.us](mailto:tedsauerbeck@aud.state.fl.us) or by telephone at (850) 487-4468.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534  
Fax: 488-6975/SC 278-6975

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2007, as shown on pages 13 through 39. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Central Florida and of its aggregate discretely presented component units as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, the UCF Health Facilities Corporation was created as a direct-support organization of the University on February 1, 2007, and its financial activities were included in the University's financial statements. This change affects comparability of amounts reported for the 2006-07 fiscal year with amounts reported for the 2005-06 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our 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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA  
March 3, 2008



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534  
Fax: 488-6975/SC 278-6975

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

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

We audited the financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the University's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the University's

financial statements that is more than inconsequential will not be prevented or detected by the University's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the University's internal control.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, 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. We noted certain matters that we reported to University management in our operational audit report No. 2008-104, dated February 2008. In that report, we noted a material instance of noncompliance that is required to be reported under *Government Auditing Standards*. Specifically, we noted in finding No. 11 that the University continued to transfer student athletic fees to the UCF Athletics Association, Inc., a direct-support organization, contrary to Section 1009.24, Florida Statutes. During the 2006-07 fiscal year, such transfers totaled approximately \$13 million, bringing the amount transferred since the 2003-04 fiscal year to approximately \$49 million. A similar finding was also noted in our report No. 2007-177.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA  
March 3, 2008

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2007, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. During the 2006-07 fiscal year, a new University direct-support organization was created, the UCF Health Facilities Corporation. This entity is a component unit of the University, and its financial information was blended into the University financial statements. Wherever necessary, this entity's financial information is identified in the comparative information noted below in the discussion of the variances between the 2006-07 and 2005-06 fiscal years. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

**FINANCIAL HIGHLIGHTS**

The University's assets totaled \$987.4 million at June 30, 2007. This balance reflects a \$168.2 million, or 20.5 percent, increase from the 2005-06 fiscal year, and includes UCF Health Facilities Corporations assets totaling \$60.1 million, net of \$6.6 million due from the University. As assets increased, liabilities increased also by an amount of \$75.7 million, or 30.7 percent, totaling \$322.2 million at June 30, 2007, compared to \$246.5 million at June 30, 2006. Included in the total liabilities are \$60 million and \$6.1 million in bonds and other noncurrent liabilities, respectively, of the UCF Health Facilities Corporation. As a result, the University's net assets increased by \$92.5 million, reaching a year end balance of \$665.2 million.

The University's revenues totaled \$717.5 million for the 2006-07 fiscal year, representing a 20 percent increase over the 2005-06 fiscal year, due in part to the University's continued enrollment growth but also to continued growth in sponsored research. Operating expenses totaled \$589.1 million for the 2006-07 fiscal year, representing an increase of 7.9 percent over the 2005-06 fiscal year.

**OVERVIEW OF FINANCIAL STATEMENTS**

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements encompass the University, the blended component unit, and the following discretely presented component units:

- The University of Central Florida Foundation, Inc.
- The University of Central Florida Research Foundation, Inc.
- The UCF Athletics Association, Inc.
- The UCF Convocation Corporation.
- The Golden Knights Corporation.

Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to the financial statements. This MD&A focuses on the University, excluding the discretely presented component units. MD&A information regarding component units is included in their separately issued audit reports.

### THE STATEMENT OF NET ASSETS

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

The increase in the University's assets as mentioned in the Financial Highlights above and the Condensed Statement below, is the result of several factors:

- The newly formed UCF Health Facilities Corporation direct-support organization is reported for the first time this year and is presented as a blended component unit with assets of \$60.1 million.
- Building capitalizations increased by \$45.8 million, net of deletions and depreciation.
- Unexpended capital appropriations (Due from State) increased by \$43.8 million for construction projects.

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

<b>Condensed Statement of Net Assets (In Thousands)</b>		
	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Current Assets	\$ 302,923	\$ 222,639
Capital Assets, Net	571,465	550,604
Other Noncurrent Assets	<u>112,979</u>	<u>45,934</u>
<b>Total Assets</b>	<u>987,367</u>	<u>819,177</u>
<b>Liabilities</b>		
Current Liabilities	73,117	58,508
Noncurrent Liabilities	<u>249,089</u>	<u>188,020</u>
<b>Total Liabilities</b>	<u>322,206</u>	<u>246,528</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	425,445	401,200
Restricted	143,096	94,845
Unrestricted	<u>96,620</u>	<u>76,604</u>
<b>Total Net Assets</b>	<u>\$ 665,161</u>	<u>\$ 572,649</u>

For a more detailed understanding of the University's net assets, the reader should review the statement of net assets and the notes to the financial statements.

**THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

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

The following summarizes the University’s activity for the 2006-07 and 2005-06 fiscal years:

<b>Condensed Statement of Revenue, Expenses, and Changes in Net Assets (In Thousands)</b>		
	<u>2006-07</u>	<u>2005-06</u>
Operating Revenues	\$ 261,272	\$ 247,971
Operating Expenses	<u>589,085</u>	<u>545,998</u>
<b>Operating Loss</b>	(327,813)	(298,027)
Net Nonoperating Revenues	<u>347,537</u>	<u>302,078</u>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	19,724	4,051
Other Revenues, Expenses, Gains, or Losses	<u>72,788</u>	<u>23,828</u>
<b>Net Increase in Net Assets</b>	92,512	27,879
Net Assets, Beginning of Year	<u>572,649</u>	<u>544,770</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 665,161</u></u>	<u><u>\$ 572,649</u></u>

**Operating Revenues**

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

The following summarizes the operating revenues by source that were used to fund operating activities during the 2006-07 and 2005-06 fiscal years:

<b>Operating Revenues (In Thousands)</b>		
	<u>2006-07</u>	<u>2005-06</u>
Tuition and Fees, Net of Scholarship Allowances	\$ 119,672	\$ 118,499
Grants and Contracts	90,930	81,616
Sales and Services of Auxiliary Enterprises	47,287	44,237
Other	<u>3,383</u>	<u>3,619</u>
<b>Total Operating Revenues</b>	<u><u>\$ 261,272</u></u>	<u><u>\$ 247,971</u></u>

The most significant change in operating revenues was the \$9.3 million, or 11.4 percent, increase in Grants and Contracts revenues due primarily to the increase of externally funded Federal research awards.

**Operating Expenses**

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

The following summarizes the operating expenses by natural classifications for the 2006-07 and 2005-06 fiscal years:

<b>Operating Expenses (In Thousands)</b>		
	<u>2006-07</u>	<u>2005-06</u>
Compensation and Employee Benefits	\$ 365,944	\$ 339,768
Services and Supplies	113,151	95,179
Utilities and Communications	19,270	18,782
Scholarships, Fellowships, and Waivers	49,008	48,685
Depreciation	<u>41,712</u>	<u>43,584</u>
<b>Total Operating Expenses</b>	<b><u>\$ 589,085</u></b>	<b><u>\$ 545,998</u></b>

Major increases in expenses were:

- Compensation and Employee Benefits increased \$26.2 million, or 7.7 percent, due to salary increases and additional staff members.
- Services and Supplies increased \$18 million, or 18.9 percent. This is primarily due to increases in consulting and professional fees of \$8.8 million and commodity purchases of \$8.9 million.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University’s nonoperating revenues and expenses for the 2006-07 and 2005-06 fiscal years:

<b>Nonoperating Revenues (Expenses) (In Thousands)</b>		
	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 281,032	\$ 246,300
Federal and State Student Financial Aid	80,248	71,034
Investment Income	14,047	3,141
Other Nonoperating Revenues	8,120	5,841
Loss on Disposal of Capital Assets	(1,031)	(1,855)
Interest on Capital Asset-Related Debt	(7,879)	(7,988)
Other Nonoperating Expenses	<u>(27,000)</u>	<u>(14,395)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 347,537</u></b>	<b><u>\$ 302,078</u></b>

Major changes in nonoperating revenues and expenses were due to:

- State appropriations increased by \$34.7 million, or 14.1 percent.
- Investment income increased by \$10.9 million, or 347.2 percent, primarily as a result of increased interest earned through the State Board of Administration and the unrealized gains resulting from the year end fair value adjustments on funds held in the State Treasury Special Purpose Investment Account investment pool.

**Other Revenues, Expenses, Gains, or Losses**

This category is mainly composed of capital appropriations and capital grants, contracts, and donations. The following summarizes the University’s other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

<b>Other Revenues, Expenses, Gains, or Losses (In Thousands)</b>		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 71,127	\$ 20,279
Capital Grants, Contracts and Donations	<u>1,661</u>	<u>3,549</u>
<b>Total</b>	<b><u>\$ 72,788</u></b>	<b><u>\$ 23,828</u></b>

Capital appropriations increased by \$50.8 million with the approval of the following major projects: Biomedical Science Center; Physical Science Center, Seminole Community College – UCF Joint Use Facilities, and infrastructure improvements.

**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 the capital financing activities include all plant funds and related long-term debt activities. Cash flows from the 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 the noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2006-07 and 2005-06 fiscal years:

<b>Condensed Statement of Cash Flows (In Thousands)</b>		
	<u>2006-07</u>	<u>2005-06</u>
Cash Provided (Used) by:		
Operating Activities	\$ (266,120)	\$ (247,865)
Noncapital Financing Activities	344,971	306,530
Capital and Related Financing Activities	7,716	(54,500)
Investing Activities	<u>(87,084)</u>	<u>(5,477)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(517)	(1,312)
Cash and Cash Equivalents, Beginning of Year	<u>9,348</u>	<u>10,660</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 8,831</u>	<u>\$ 9,348</u>

Major sources of funds came from State appropriations (\$281 million), net student tuition and fees (\$121 million), and grants and contracts (\$91.4 million).

## **CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION**

### **CAPITAL ASSETS**

At June 30, 2007, the University had \$954.6 million in capital assets, less accumulated depreciation of \$383.1 million, for net capital assets of \$571.5 million. Depreciation charges for the current fiscal year totaled \$41.7 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

<b>Capital Assets, Net at June 30 (In Thousands)</b>		
	2007	2006
Land	\$ 9,685	\$ 9,543
Buildings	437,317	391,511
Infrastructure and Other Improvements	25,733	24,068
Furniture and Equipment	53,694	53,472
Library Resources	24,260	21,591
Leasehold Improvements	9,675	6,371
Works of Art and Historical Treasures	386	407
Other Capital Assets	2,592	3,241
Construction in Progress	8,123	40,400
<b>Total Capital Assets, Net</b>	<b>\$571,465</b>	<b>\$550,604</b>

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

**CAPITAL EXPENSES AND COMMITMENTS**

A summary of the University’s major capital commitments at June 30, 2007, is as follows:

	Amount (In Thousands)
Total Commitment	\$ 48,762
Completed to Date	<u>(7,769)</u>
<b>Balance Committed</b>	<b>\$ 40,993</b>

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

**DEBT ADMINISTRATION**

The University’s debt structure changed significantly in the 2006-07 fiscal year due to the formation of the UCF Health Facilities Corporation direct-support organization. The UCF Health Facilities Corporation was established to receive, hold, invest and administer property and to make expenditures to or for the benefit of the University to construct and install the UCF Health Science Campus at Lake Nona.

As of June 30, 2007, the University reported \$223.1 million in outstanding bonds, including \$60 million of capital improvement bonds issued by the UCF Health Facilities Corporation, representing an increase of \$53.6 million, or 31.7 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

<b>Long-Term Debt, at June 30 (In Thousands)</b>		
	2007	2006
Bonds	\$ 223,095	\$ 169,473
Loans and Notes		128
Installment Purchases	543	1,266
Other noncurrent Liabilities	6,050	
<b>Total</b>	<b>\$ 229,688</b>	<b>\$ 170,867</b>

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

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

During the 2005–06 fiscal year, the Florida Board of Governors approved plans for a University medical school that will open in August 2009. This will have a major positive impact on the University’s financial status.

The condition of the State of Florida’ economy has a direct effect on appropriations for higher education. State appropriations comprise 39.2 percent of the University’s total revenues (operating, nonoperating, and capital) and are the University’s largest source of funding. Because of a sluggish state economy, the Legislature is withholding 4 percent of the University’s appropriations. The amount withheld may increase at a later date depending on the economy and legislative decisions.

The budget that the Florida Legislature adopted for the 2007-08 fiscal year provided a 7 percent increase over the previous year’s final appropriation for the University. The University’s total Education and General budget was \$432.2 million, which included a \$4.7 million appropriation for the new medical school. There was no additional budget allocated for enrollment growth this year. The amounts listed above are the original allocation and do not reflect the 4 percent reduction currently in effect.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the University Controller, University of Central Florida, 4000 Central Florida Boulevard, Orlando, Florida 32816-0002.

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**FINANCIAL SECTION**


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**UNIVERSITY OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
As of June 30, 2007**

	University	Component Units
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 422,146	\$ 25,614,911
Restricted Cash and Cash Equivalents		96,914,007
Investments	173,372,015	25,533,416
Accounts Receivable, Net	29,874,658	12,137,168
Loans and Notes Receivable, Net	1,031,786	
Due from State	89,232,467	
Due from Component Units	6,423,686	2,713,705
Due from University		4,112,927
Inventories	2,413,680	875,000
Other Current Assets	152,068	5,111,319
<b>Total Current Assets</b>	<b>302,922,506</b>	<b>173,012,453</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,408,908	5,298,578
Restricted Investments	88,886,580	116,882,218
Loans and Notes Receivable, Net	6,707,389	13,612,280
Depreciable Capital Assets, Net	553,418,525	125,548,065
Nondepreciable Capital Assets	18,046,416	192,842,115
Due from Component Units	6,298,443	
Other Noncurrent Assets	2,678,077	12,995,243
<b>Total Noncurrent Assets</b>	<b>684,444,338</b>	<b>467,178,499</b>
<b>TOTAL ASSETS</b>	<b>\$ 987,366,844</b>	<b>\$ 640,190,952</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 13,169,628	\$ 7,569,840
Construction Contracts Payable	6,173,893	
Salaries and Wages Payable	14,587,413	
Deposits Payable	9,616,730	79,966
Due to Component Units	4,112,927	2,713,705
Due to University		6,423,686
Deferred Revenue	16,625,649	9,993,857
Other Current Liabilities		4,412,918
Long-Term Liabilities - Current Portion:		
Bonds Payable	6,672,252	
Certificates of Participation Payable		1,385,000
Loans and Notes Payable		14,737,649
Installment Purchases Payable	464,404	
Capital Leases Payable		245,250
Compensated Absences Payable	1,693,918	47,034
<b>Total Current Liabilities</b>	<b>73,116,814</b>	<b>47,608,905</b>

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**As of June 30, 2007**

	University	Component Units
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	\$ 216,422,908	\$
Certificates of Participation Payable		313,217,336
Loans and Notes Payable		25,713,990
Installment Purchases Payable	78,249	
Capital Leases Payable		97,572
Compensated Absences Payable	26,538,047	738,037
Due to University		6,298,443
Other Noncurrent Liabilities	6,050,000	22,910,249
	249,089,204	368,975,627
<b>Total Noncurrent Liabilities</b>		
	322,206,018	416,584,532
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	425,445,450	(34,627,086)
Restricted for Nonexpendable:		
Endowment		92,083,789
Restricted for Expendable:		
Debt Service	31,745	
Loans	9,714,359	
Capital Projects	87,177,011	
Other	46,172,279	104,020,830
Unrestricted	96,619,982	62,128,887
	665,160,826	223,606,420
<b>TOTAL NET ASSETS</b>		
	\$ 987,366,844	\$ 640,190,952

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

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2007**

	University	Component Units
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$53,602,059	\$ 119,671,802	\$
Federal Grants and Contracts	64,080,831	
State and Local Grants and Contracts	16,521,419	
Nongovernmental Grants and Contracts	10,327,372	541,138
Royalties and Licensing Fees		1,226,758
Gifts and Donations		51,451,035
Sales and Services of Auxiliary Enterprises	47,286,509	
Interest on Loans and Notes Receivable	123,409	
Other Operating Revenues	3,260,211	67,613,996
<b>Total Operating Revenues</b>	<b>261,271,553</b>	<b>120,832,927</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	365,943,575	9,868,013
Services and Supplies	113,151,182	59,966,790
Utilities and Communications	19,269,951	502,792
Scholarships, Fellowships, and Waivers	49,008,348	4,507,240
Depreciation	41,711,741	3,106,852
<b>Total Operating Expenses</b>	<b>589,084,797</b>	<b>77,951,687</b>
<b>Operating Income (Loss)</b>	<b>(327,813,244)</b>	<b>42,881,240</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	281,031,812	
Federal and State Student Financial Aid	80,247,725	
Investment Income	14,046,903	7,173,014
Other Nonoperating Revenues	8,119,936	9,922,659
Loss on Disposal of Capital Assets	(1,030,841)	
Interest on Capital Asset-Related Debt	(7,879,396)	(6,386,403)
Other Nonoperating Expenses	(26,999,618)	(3,322,546)
<b>Net Nonoperating Revenues</b>	<b>347,536,521</b>	<b>7,386,724</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>19,723,277</b>	<b>50,267,964</b>
Capital Appropriations	71,127,075	
Capital Grants, Contracts, and Donations	1,661,354	
Additions to Permanent Endowments		9,929,582
<b>Increase in Net Assets</b>	<b>92,511,706</b>	<b>60,197,546</b>
Net Assets, Beginning of Year	572,649,120	163,408,874
<b>Net Assets, End of Year</b>	<b>\$ 665,160,826</b>	<b>\$ 223,606,420</b>

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, 2007**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 120,954,841
Grants and Contracts	91,442,764
Sales and Services of Auxiliary Enterprises	48,101,215
Interest on Loans and Notes Receivable	35,808
Payments to Employees	(362,504,857)
Payments to Suppliers for Goods and Services	(124,190,682)
Payments to Students for Scholarships and Fellowships	(49,008,348)
Net Loans Issued to Students	(214,009)
Other Operating Receipts	9,263,353
	<b>Net Cash Used by Operating Activities</b>
	(266,119,915)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	281,031,812
Federal and State Student Financial Aid	80,247,725
Net Change in Funds Held for Others	4,733,377
Other Nonoperating Disbursements	(21,042,382)
	<b>Net Cash Provided by Noncapital Financing Activities</b>
	344,970,532
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt and Leases	65,376,179
Capital Appropriations	71,127,075
Capital Grants, Contracts, Donations, and Fees	1,500,000
Capital Subsidies and Transfers	(39,710,776)
Purchase or Construction of Capital Assets	(75,467,472)
Principal Paid on Capital Debt and Leases	(7,229,203)
Interest Paid on Capital Debt and Leases	(7,879,396)
	<b>Net Cash Provided by Capital and Related Financing Activities</b>
	7,716,407
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments, Net	(98,748,830)
Investment Income	11,664,496
	<b>Net Cash Used by Investing Activities</b>
	(87,084,334)
<b>Net Decrease in Cash and Cash Equivalents</b>	(517,310)
Cash and Cash Equivalents, Beginning of Year	9,348,364
	<b>Cash and Cash Equivalents, End of Year</b>
	\$ 8,831,054

**UNIVERSITY OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (Continued)  
For the Fiscal Year Ended June 30, 2007**

	<b>University</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (327,813,244)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	41,711,741
Change in Assets and Liabilities:	
Accounts Receivables	30,634
Contracts and Grants Receivable	513,142
Interest Receivable	(87,601)
Inventories	394,199
Loans and Notes Receivable	(129,642)
Other Assets	5,113,904
Accounts Payable	2,637,981
Salaries and Wages Payable	1,437,250
Deposits Payable	286,599
Compensated Absences Payable	2,001,468
Deferred Revenue	7,783,654
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (266,119,915)</b>

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

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**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, and is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the State's Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with Florida law, State Board of Education rules, and Board of Governors regulations. The Trustees select the University President and the State Board of Education ratifies the candidate selected. 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 *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

**Blended Component Unit.** Based on the application of the criteria for determining component units, the UCF Health Facilities Corporation (Corporation) is included within the University reporting entity as a blended component unit. The Corporation was created February 1, 2007, to finance, construct, operate, and maintain the health care facilities of the Medical School for and on behalf of the University.

**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 6C-9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

private gifts and bequests, and valuable education support service. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- The University of Central Florida Foundation, Inc., is a not-for-profit Florida corporation whose principal function is to provide charitable and educational aid to the University of Central Florida.
- The University of Central Florida Research Foundation, Inc., was organized to promote and encourage, as well as assist in, the research activities of the University's faculty, staff, and students.
- The UCF Athletics Association, Inc., was organized to promote intercollegiate athletics to benefit the University of Central Florida and surrounding communities.
- The UCF Convocation Corporation was created to finance and construct a convocation center, and to manage the Towers student housing and its related retail space on the north side of campus.
- The Golden Knights Corporation was created and operates to finance, build, and administer an on-campus football stadium.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual audit 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 University Controller. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

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

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

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

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

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

The University follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

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 to be third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

**Capital Assets.** University capital assets consist of land, buildings, construction in progress, infrastructure and other improvements, furniture and equipment, leasehold improvements, library resources, works of art and historical treasures and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property, \$100,000 for new buildings, and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 5 to 10 years
- Library Resources – 10 years
- Leasehold Improvements – 10 years
- Works of Art and Historical Treasures – 5 to 15 years

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of bonds payable, installment purchases payable, line of credit, and compensated absences payable that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance cost paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds using the straight-line method.

## 2. REPORTING CHANGES

In prior fiscal years, the University did not have any blended component units. With the creation of the UCF Health Facilities Corporation on February 1, 2007, the University began reporting this direct-support organization's financial activities in the University's financial statements.

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consists of cash on hand and cash in demand accounts. 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. 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.

**Component Units.** Amounts reported as restricted cash and cash equivalents include guaranteed investment contracts and money market funds. The guaranteed investment contracts were purchased by the component units to invest bond proceeds for the various construction projects on campus.

**4. INVESTMENTS**

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds awaiting clearing with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's Board of Trustees has not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; 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; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

**External Investment Pools**

The University reported investments at fair value totaling \$846,831 at June 30, 2007, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years at June 30, 2007. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment

**UNIVERSITY OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007**

pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State’s Comprehensive Annual Financial Report.

The University reported investments at fair value totaling \$261,411,764, including \$59,435,386 in investments belonging to its blended component unit, at June 30, 2007, in the Local Government Surplus Funds Trust Fund administered by State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The University’s investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a-7 like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the actual underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

**Component Units Investments**

Investments held by the University’s component units at June 30, 2007, are reported at fair value as follows:

Investment Type	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	Total
Mutual Funds - Equities	\$ 76,380,904	\$ 25,000	\$ 76,405,904
Mutual Funds - Bonds	54,244,300		54,244,300
Stocks and Other Equity Securities	11,131,595	633,835	11,765,430
<b>Total Component Unit Investments</b>	<b>\$ 141,756,799</b>	<b>\$ 658,835</b>	<b>\$ 142,415,634</b>

The vast majority of component units’ investments are those of the University of Central Florida Foundation, Inc. (Foundation). The following risks apply to the Foundations’ investments:

*Interest Rate and Credit Risk:* Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Foundation’s investment policy provides the following guidelines:

- Short-term intermediate fixed income funds have an average maturity and duration not to exceed 120 percent of the Merrill Lynch 1-3 Year Government/Corporate Index.
- Core fixed income funds have an average maturity and duration not to exceed 120 percent of the Lehman Brothers Aggregate Index.

**UNIVERSITY OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation’s investment policy requires a rating of no lower than Aa or its equivalent for debt instruments.

The following interest rate and credit risks apply to the Foundation’s investments in Mutual Funds – Bonds at June 30, 2007:

	Weighted Average Maturities	<u>Credit Quality Rating</u> Standard & Poor's	Fair Value
Mutual Funds - Bonds	1 - 5 Years	AA-1	\$ 41,109,129
Mutual Funds - Bonds	Less than 1 Year	AAA	13,135,171
<b>Total</b>			<b>\$ 54,244,300</b>

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Foundation’s investments excluding mutual funds, are uninsured and registered in SunTrust Bank’s (“SunTrust”) nominee name as custodian for the Foundation, with securities held by the Foundation’s agent in the Foundation’s name. Mutual funds do not have specific securities and are held in book entry form.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an entity’s investment in a single issuer. The Foundation’s investment policy requires diversification of investments 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. Guidelines for individual sectors of the portfolio further indicate percentage limitations.

**5. RECEIVABLES**

**Accounts Receivable.** Accounts receivable represent amounts for student fee deferments, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, student tuition and fees, and interest accrued on investments.

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

**Allowance for Uncollectible Receivables.** Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management’s best estimate as of fiscal year-end considering type, age,

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$754,671 and \$417,534, respectively, at June 30, 2007.

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

**6. DUE FROM STATE**

This is the amount of Public Education Capital Outlay, Alec P. Courtelis Capital Facility Matching Trust Fund, 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, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 9,542,660	\$ 141,999	\$	\$ 9,684,659
Works of Art and Historical Treasures	204,750	33,500		238,250
Construction in Progress	40,399,683	7,973,507	40,249,683	8,123,507
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 50,147,093</b>	<b>\$ 8,149,006</b>	<b>\$ 40,249,683</b>	<b>\$ 18,046,416</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 537,295,913	\$ 59,510,916	\$ 981,262	\$ 595,825,567
Infrastructure and Other Improvements	31,032,646	3,029,538	31,138	34,031,046
Furniture and Equipment	183,630,615	25,671,376	16,276,016	193,025,975
Library Resources	79,570,634	6,115,081	1,831	85,683,884
Leasehold Improvements	6,911,908	4,475,021	149,800	11,237,129
Works of Art and Historical Treasures	333,798			333,798
Other Capital Assets	15,989,884	678,573	243,597	16,424,860
<b>Total Depreciable Capital Assets</b>	<b>854,765,398</b>	<b>99,480,505</b>	<b>17,683,644</b>	<b>936,562,259</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	145,784,745	13,505,939	781,926	158,508,758
Infrastructure and Other Improvements	6,964,658	1,333,343		8,298,001
Furniture and Equipment	130,158,369	21,131,293	11,958,197	139,331,465
Library Resources	57,980,155	3,444,180	12	61,424,323
Leasehold Improvements	540,503	1,021,743		1,562,246
Works of Art and Historical Treasures	131,121	56,063	914	186,270
Other Capital Assets	12,748,811	1,219,180	135,320	13,832,671
<b>Total Accumulated Depreciation</b>	<b>354,308,362</b>	<b>41,711,741</b>	<b>12,876,369</b>	<b>383,143,734</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 500,457,036</b>	<b>\$ 57,768,764</b>	<b>\$ 4,807,275</b>	<b>\$ 553,418,525</b>

**UNIVERSITY OF CENTRAL FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2007**

**8. DEFERRED REVENUE**

Deferred revenue includes amounts received for contracts and grants, student housing, telecommunication services, arena operations, food services, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2007, the University reported the following amounts as deferred revenue:

Description	Amount
Grants and Contracts	\$ 12,689,201
Auxiliary	3,053,311
Student Tuition and Fees	883,137
<b>Total Deferred Revenue</b>	<b>\$ 16,625,649</b>

**9. LONG-TERM LIABILITIES**

Long-term liabilities of the University at June 30, 2007, include bonds, loans and notes, installment purchases, and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 169,472,797	\$ 60,000,000	\$ 6,377,637	\$ 223,095,160	\$ 6,672,252
Loans and Notes Payable	128,180		128,180		
Installment Purchases Payable	1,266,038		723,385	542,653	464,404
Compensated Absences Payable	26,055,428	3,929,257	1,752,720	28,231,965	1,693,918
Other Noncurrent Liabilities		6,050,000		6,050,000	
<b>Total Long-Term Liabilities</b>	<b>\$ 196,922,443</b>	<b>\$ 69,979,257</b>	<b>\$ 8,981,922</b>	<b>\$ 257,919,778</b>	<b>\$ 8,830,574</b>

**Bonds Payable.** Auxiliary revenue bonds were issued to construct student parking garages, housing facilities, a bookstore, and a health center. Auxiliary revenue bonds outstanding, which include both term and serial bonds, are secured by a pledge of traffic and parking fees, housing rental revenues, bookstore revenues, and an assessed transportation fee based on credit hours. State University System bonds were issued to acquire and construct various University facilities. These bonds are secured by and payable from the capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

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As of June 1, 2007, the University has agreed to lease to its blended component unit, the UCF Health Facilities Corporation (Corporation), through a ground sublease, a certain parcel of real property located in Orange County, Florida, to construct certain facilities containing approximately 198,000 square feet with classroom, laboratory, and administrative office space together with related infrastructure. The facilities will be used by the Corporation solely for the purpose of educational and research facilities to be operated and managed by the University. The University and the Corporation simultaneously agreed to enter into a capital lease where the Corporation will lease the facilities to the University for the occupancy of the facility. 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.

On June 26, 2007, the Corporation issued capital improvement bonds, totaling \$60 million for the construction of a health facility for the University's medical school. The bonds are secured by a letter of credit issued by a local bank not to exceed \$60 million. The bonds are variable interest rate bonds, with an interest rate of 4.38 percent at June 30, 2007, and mature on July 1, 2037.

Because the Corporation issued variable rate bonds, it entered into an interest rate swap agreement with a local bank, effective July 1, 2007, which expires July 1, 2037. A swap can be terminated as a result of any of several events, which may include a ratings downgrade of the swap counterparty, covenant violation by either party, bankruptcy of either party, or a swap agreement default of either party. Any such termination may require the Corporation to make significant termination payments in the future or to refinance the outstanding bonds at the prevailing market interest rate at the time of refinancing. The Corporation does not expect that the swap will be terminated with the date of issuance of the bonds. The swap agreement allows the bonds to attain a fixed interest rate of 4.38 percent which is expected to be an effective hedge and will have fluctuations in value in future years based upon market yields.

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.

The University had the following bonds payable outstanding at June 30, 2007:

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Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
<b>Auxiliary Revenue Bonds:</b>				
1992 - Housing	\$ 19,080,000	\$ 1,390,715	5.95 - 6.0	2013
1996 - Housing	18,420,000	15,418,136	4.9 - 5.6	2027
1997 - Bookstore	3,570,000	2,246,429	4.75 - 5.125	2017
1997 - Parking Garage II	7,960,000	5,252,048	4.7 - 5.375	2018
1999 - Parking Garage III	8,435,000	6,215,711	4.0 - 4.75	2020
1999 - Housing	28,140,000	25,322,931	4.75 - 5.75	2030
2000 - Housing	31,695,000	29,113,729	4.3 - 5.25	2031
2001 - Parking Garage IV	7,770,000	6,335,294	4.0 - 5.0	2022
2002 - Housing	14,055,000	11,580,662	2.5 - 4.5	2021
2004A - Student Health Center	8,000,000	7,104,855	3.0 - 5.0	2024
2004A - Parking Garage V	18,455,000	16,223,096	3.0 - 4.2	2024
<b>Total Auxiliary Revenue Bonds</b>	<b>165,580,000</b>	<b>126,203,606</b>		
<b>State University System Revenue Bonds:</b>				
1997A - Series	3,191,043	2,618,583	4.5 - 5.0	2016
1998 - Series	11,156,956	8,314,917	4.1 - 5.0	2023
2001 - Series	5,857,239	4,956,433	4.0 - 5.0	2026
2003A - Series	6,580,959	3,939,511	5.0	2013
2005A - Series	1,569,530	1,442,266	3.625 - 4.125	2022
2006A - Series	15,483,742	15,619,844	4.0 - 5.0	2030
<b>Total State University System Revenue Bonds</b>	<b>43,839,469</b>	<b>36,891,554</b>		
<b>Capital Improvement Revenue Bonds:</b>				
2007 - Health Sciences Campus	60,000,000	60,000,000	4.38	2037
<b>Total</b>	<b>\$269,419,469</b>	<b>\$ 223,095,160</b>		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

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<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 6,672,252	\$ 10,500,609	\$ 17,172,861
2009	6,983,233	10,187,170	17,170,403
2010	8,327,000	9,891,538	18,218,538
2011	8,709,606	9,528,548	18,238,154
2012	9,091,613	9,174,220	18,265,833
2013-2017	47,919,625	39,211,800	87,131,425
2018-2022	49,133,037	27,617,427	76,750,464
2023-2027	40,535,151	16,374,972	56,910,123
2028-2032	29,717,929	7,138,551	36,856,480
2033-2037	17,020,000	2,302,651	19,322,651
<b>Subtotal</b>	224,109,446	141,927,486	366,036,932
Less: Net Bond Discounts, Premiums, and Losses on Bond Refundings	1,014,286		1,014,286
<b>Total</b>	<b>\$ 223,095,160</b>	<b>\$ 141,927,486</b>	<b>\$ 365,022,646</b>

**Line of Credit.** In April 2007, the Corporation entered into two line of credit agreements of \$6,000,000 and \$7,000,000 with a local bank. The proceeds of the lines of credit are to be used for the construction of the health facilities for the University's medical school. The lines of credit carry a variable interest rate equal to 63.7 percent of 1 month LIBOR (5.32 percent at June 30, 2007) plus 1.35 percent, and each mature in April 2012. The lines are collateralized by designated revenues for the payment of debt service. At June 30, 2007, the amounts outstanding totaled \$6,050,000. The Corporation has \$6,950,000 available remaining on its line of credit agreements at June 30, 2007.

**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 Regulation 6C-5.920 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 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, 2007, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$28,231,965. The current portion of the compensated absences liability 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.

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**Certificates of Participation Payable – Component Units**

On June 30, 2006, the UCF Athletics Association, Inc., was directed by the University Board of Trustees to transfer its Certificates of Participation, issued on September 1, 2004, and June 8, 2005, for \$68,860,000 and \$67,400,000, respectively, to the UCF Convocation Corporation where they will remain until the maturity date. The two certificates outstanding, which include both term and serial certificates, are secured by a pledge of housing rental revenues, parking fees, retail space rental revenues and investment earnings. The interest rates on the certificates range from 2.5 to 5.25 percent and the maturity ranges from October 2034 to October 2035.

On September 1, 2005, the UCF Convocation Corporation issued two additional Certificates of Participation for \$63,300,000 and \$44,100,000, for the construction of a 10,000 seat convocation center, the renovation of the existing arena, and related infrastructure. These two certificates, which include both term and serial certificates, are secured by a pledge of housing rental revenues, parking fees, retail space rental revenues, and investment earnings. The interest rates for these certificates range from 3.5 to 5.37 percent and both certificates mature on October 1, 2035.

In August 2006, the Golden Knights Corporation issued \$45,685,000 of tax exempt, and \$18,850,000 of taxable, certificates of participation. The certificates of participation were issued for the construction of an on-campus football stadium. The two certificates outstanding, which include both term and serial certificates, are secured by a pledge from the UCF Athletics Association, Inc., of the gross ticket revenues, stadium club seat and luxury suite contributions. The interest rates on the certificates of participation range from 4 percent to 6 percent and the maturity ranges from March 31, 2031, to March 31, 2036.

**10. RETIREMENT PROGRAMS**

**Florida Retirement System.** Most employees working in regularly established positions of the University are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions 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. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The

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Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (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 a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$5,814,792, \$6,278,463, and \$8,281,310, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class,

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Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 462 University participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$1,385,606.

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

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

There were 2,496 University participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$15,369,880, and employee contributions totaled \$6,981,433.

## **11. POST-EMPLOYMENT BENEFITS**

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2006-07 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in State-administered

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retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in note 10.

Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2006-07 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

**12. CONSTRUCTION COMMITMENTS**

The University’s major construction commitments at June 30, 2007, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Biomedical Science Center	\$ 45,198,804	\$ 6,441,432	\$ 38,757,372
Physical Science Center	1,322,925	665,145	657,780
Recreational Field Improvement	2,124,377	569,396	1,554,981
AMPAC Experimental Station	115,435	92,988	22,447
<b>Total</b>	<b>\$ 48,761,541</b>	<b>\$ 7,768,961</b>	<b>\$ 40,992,580</b>

**13. OPERATING LEASE COMMITMENTS**

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$ 10,885,221
2009	4,141,821
2010	3,085,709
2011	2,854,591
2012	468,173
2013-2014	971,244
<b>Total Minimum Payments Required</b>	<b>\$ 22,406,759</b>

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**14. 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(3), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2006-07 fiscal year, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for wind and flood and \$5 million for perils other than wind and flood. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for wind, \$50 million for flood, and \$200 million for perils other than wind and flood; and losses exceeding those amounts were retained by the State. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care 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.

**15. LITIGATION**

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

**16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service.

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However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 186,963,686
Research	95,967,364
Public Service	507,766
Academic Support	40,957,169
Student Services	25,470,984
Institutional Support	55,363,613
Operation and Maintenance of Plant	15,753,381
Scholarships and Fellowships	49,008,348
Depreciation	41,711,741
Auxiliary Enterprises	77,182,616
Loan Operations	198,129
<b>Total Operating Expenses</b>	<b><u><u>\$ 589,084,797</u></u></b>

#### 17. SEGMENT INFORMATION

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

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**Condensed Statement of Net Assets**

	Bookstore Revenue Bonds	Housing Facility Revenue Bonds	Parking Facility Revenue Bonds	Health Center Revenue Bonds
<b>Assets</b>				
Current Assets	\$ 857,050	\$ 4,917,973	\$ 848,524	\$ 986,008
Capital Assets, Net	3,428,262	72,180,809	43,260,579	9,833,771
Other Noncurrent Assets	477,990	9,005,711	4,432,655	797,312
<b>Total Assets</b>	<b>4,763,302</b>	<b>86,104,493</b>	<b>48,541,758</b>	<b>11,617,091</b>
<b>Liabilities</b>				
Current Liabilities	179,143	5,421,178	3,235,829	624,783
Noncurrent Liabilities	2,067,286	80,825,051	32,151,651	7,128,786
<b>Total Liabilities</b>	<b>2,246,429</b>	<b>86,246,229</b>	<b>35,387,480</b>	<b>7,753,569</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,235,699	(9,487,727)	9,800,478	2,802,308
Restricted - Expendable	431,289	7,911,297	3,399,518	690,324
Unrestricted	849,885	1,434,694	(45,718)	370,890
<b>Total Net Assets</b>	<b>\$ 2,516,873</b>	<b>\$ (141,736)</b>	<b>\$ 13,154,278</b>	<b>\$ 3,863,522</b>

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

	Bookstore Revenue Bonds	Housing Facility Revenue Bonds	Parking Facility Revenue Bonds	Health Center Revenue Bonds
Operating Revenues	\$ 1,820,458	\$ 19,675,298	\$ 12,007,299	\$ 11,631,007
Depreciation Expenses	(169,847)	(3,128,611)	(1,602,277)	(500,468)
Other Operating Expenses	(24,074)	(9,499,847)	(6,523,961)	(9,623,896)
<b>Operating Income</b>	<b>1,626,537</b>	<b>7,046,840</b>	<b>3,881,061</b>	<b>1,506,643</b>
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	49,774	2,128,710	2,406,909	92,758
Interest Expense	(127,469)	(4,355,589)	(1,558,491)	(327,483)
Nonoperating Expenses		(3,529,700)	(1,094,162)	(14,396)
<b>Net Nonoperating Expenses</b>	<b>(77,695)</b>	<b>(5,756,579)</b>	<b>(245,744)</b>	<b>(249,121)</b>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	<b>1,548,842</b>	<b>1,290,261</b>	<b>3,635,317</b>	<b>1,257,522</b>
Other Revenue, Expenses, Gains, or Losses	(1,321,050)	(1,395,140)	(357,823)	(559,534)
<b>Increase (Decrease) in Net Assets</b>	<b>227,792</b>	<b>(104,879)</b>	<b>3,277,494</b>	<b>697,988</b>
Net Assets, Beginning of Year	2,289,081	(36,857)	9,876,784	3,165,534
<b>Net Assets, End of Year</b>	<b>\$ 2,516,873</b>	<b>\$ (141,736)</b>	<b>\$ 13,154,278</b>	<b>\$ 3,863,522</b>

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**Condensed Statement of Cash Flows**

	<u>Bookstore Revenue Bonds</u>	<u>Housing Facility Revenue Bonds</u>	<u>Parking Facility Revenue Bonds</u>	<u>Health Center Revenue Bonds</u>
Net Cash Provided (Used) by:				
Operating Activities	\$ 1,765,468	\$ 9,392,397	\$ 5,167,784	\$ 2,162,265
Noncapital Financing Activities	(1,317,529)	(1,622,511)	745,133	(573,931)
Capital and Related Financing Activities	(308,426)	(6,817,023)	(7,195,528)	(1,661,053)
Investing Activities	<u>44,539</u>	<u>(802,173)</u>	<u>2,657,671</u>	<u>991,793</u>
<b>Net Increase in Cash and Cash Equivalents</b>	184,052	150,690	1,375,060	919,074
Cash and Cash Equivalents, Beginning of Year	<u>800,164</u>	<u>1,767,336</u>	<u>544,271</u>	<u>123,980</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 984,216</u>	<u>\$ 1,918,026</u>	<u>\$ 1,919,331</u>	<u>\$ 1,043,054</u>

**18. COMPONENT UNITS**

The University has five discretely presented component units as discussed in note 1. These component units represent 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:

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	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	Golden Knights Corporation	Total
<b>Condensed Statement of</b>						
<b>Net Assets</b>						
Assets:						
Current Assets	\$ 61,901,422	\$ 3,068,854	\$ 4,973,353	\$ 73,506,245	\$ 29,562,579	\$ 173,012,453
Capital Assets, Net	72,583,354		12,660,632	184,870,510	48,275,684	318,390,180
Other Noncurrent Assets	135,648,853	658,835		10,558,983	1,921,648	148,788,319
<b>Total Assets</b>	<b>270,133,629</b>	<b>3,727,689</b>	<b>17,633,985</b>	<b>268,935,738</b>	<b>79,759,911</b>	<b>640,190,952</b>
Liabilities:						
Current Liabilities	19,079,246	2,838,677	11,201,742	9,181,338	5,307,902	47,608,905
Noncurrent Liabilities	28,677,560		6,864,500	261,913,465	71,520,102	368,975,627
<b>Total Liabilities</b>	<b>47,756,806</b>	<b>2,838,677</b>	<b>18,066,242</b>	<b>271,094,803</b>	<b>76,828,004</b>	<b>416,584,532</b>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	38,867,176		7,961,880	(65,641,310)	(15,814,832)	(34,627,086)
Restricted	170,095,496				26,009,123	196,104,619
Unrestricted	13,414,151	889,012	(8,394,137)	63,482,245	(7,262,384)	62,128,887
<b>Total Net Assets</b>	<b>\$ 222,376,823</b>	<b>\$ 889,012</b>	<b>\$ (432,257)</b>	<b>\$ (2,159,065)</b>	<b>\$ 2,931,907</b>	<b>\$ 223,606,420</b>
<b>Condensed Statement of</b>						
<b>Revenues, Expenses, and</b>						
<b>Changes in Net Assets</b>						
Operating Revenues	\$ 82,899,146	\$ 2,985,639	\$ 22,795,364	\$ 11,519,226	\$ 633,552	\$ 120,832,927
Operating Expenses	39,269,753	2,741,663	28,790,560	6,715,981	433,730	77,951,687
<b>Operating Income (Loss)</b>	<b>43,629,393</b>	<b>243,976</b>	<b>(5,995,196)</b>	<b>4,803,245</b>	<b>199,822</b>	<b>42,881,240</b>
Net Nonoperating Revenues (Expenses)	4,223,975	94,985	2,440,819	(2,105,140)	2,732,085	7,386,724
Other Revenues, Expenses, Gains and Losses	9,929,582					9,929,582
<b>Increase (Decrease) in Net Assets</b>	<b>57,782,950</b>	<b>338,961</b>	<b>(3,554,377)</b>	<b>2,698,105</b>	<b>2,931,907</b>	<b>60,197,546</b>
Net Assets, Beginning of Year	164,593,873	550,051	3,122,120	(4,857,170)		163,408,874
<b>Net Assets, End of Year</b>	<b>\$ 222,376,823</b>	<b>\$ 889,012</b>	<b>\$ (432,257)</b>	<b>\$ (2,159,065)</b>	<b>\$ 2,931,907</b>	<b>\$ 223,606,420</b>

## 19. SUBSEQUENT EVENTS

On September 12, 2007, the University issued \$38,780,000 of University of Central Florida Dormitory Revenue Refunding Bonds, Series 2007A. The proceeds are to be used to refund Housing Revenue Bonds, Series 1996, and 1999. Funds were placed in an irrevocable trust with an escrow agent to provide all future debt service payments on the refunded debt.

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**UNIVERSITY OF CENTRAL FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2007**

As discussed in note 4, at June 30, 2007, the University and its blended component unit had a total of \$261,411,764 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the University and its blended component unit withdrew all but \$10,000 invested at that date from the Pool.