

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2022-118
February 2022

UNIVERSITY OF CENTRAL FLORIDA

For the Fiscal Year Ended
June 30, 2021



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2020-21 fiscal year, Dr. Alexander Cartwright served as President of the University of Central Florida and the following individuals served as Members of the Board of Trustees:

Beverly J. Seay, Chair	Meg Hall from 5-10-21 ^c
Harold Mills, Vice Chair from 2-18-21	Dr. Joseph Harrington ^d
Alex Martins, Vice Chair through 1-27-21 ^{a, b}	Sabrina La Rosa through 5-9-21 ^c
Tiffany Altizer from 1-28-21	Caryl McAlpin
Kenneth Bradley through 3-11-21	John Miklos from 5-19-21
Bill Christy from 1-20-21	Michael Okaty
Joseph D. Conte	John R. Sprouls through 5-18-21
Jeff Condello from 1-20-21	David Walsh through 1-19-21
Danny Gaekwad	William E. Yeargin through 1-19-21

^a Member through 1-27-21, until reappointed on 3-12-21.

^b Vice Chair position vacant 1-28-21, through 2-17-21.

^c Student Body President.

^d Faculty Senate Chair.

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

The team leader was Jamie L. Wilson, and the audit was supervised by Jeffrey M. Brizendine, CPA.

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

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

FLAuditor.gov

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

State of Florida Auditor General

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

UNIVERSITY OF CENTRAL FLORIDA

TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	19
Statement of Cash Flows	20
Notes to Financial Statements	22
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability	69
Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	70
Schedule of University Contributions – Florida Retirement System Pension Plan	70
Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	72
Schedule of University Contributions – Health Insurance Subsidy Pension Plan	72
Notes to Required Supplementary Information	74
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 <i>GOVERNMENT AUDITING STANDARDS</i>	75
Internal Control Over Financial Reporting	75
Compliance and Other Matters	76
Purpose of this Report	76

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, 2021. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2021, 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 0.7 percent, 5.6 percent, 0.8 percent and 0.3 percent, respectively, of the assets, liabilities, net position, and revenues reported for the University of Central Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and

perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Central Florida and of its aggregate discretely presented component units as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **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 our report dated February 14, 2022, on our consideration of the University of Central Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Central Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 14, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

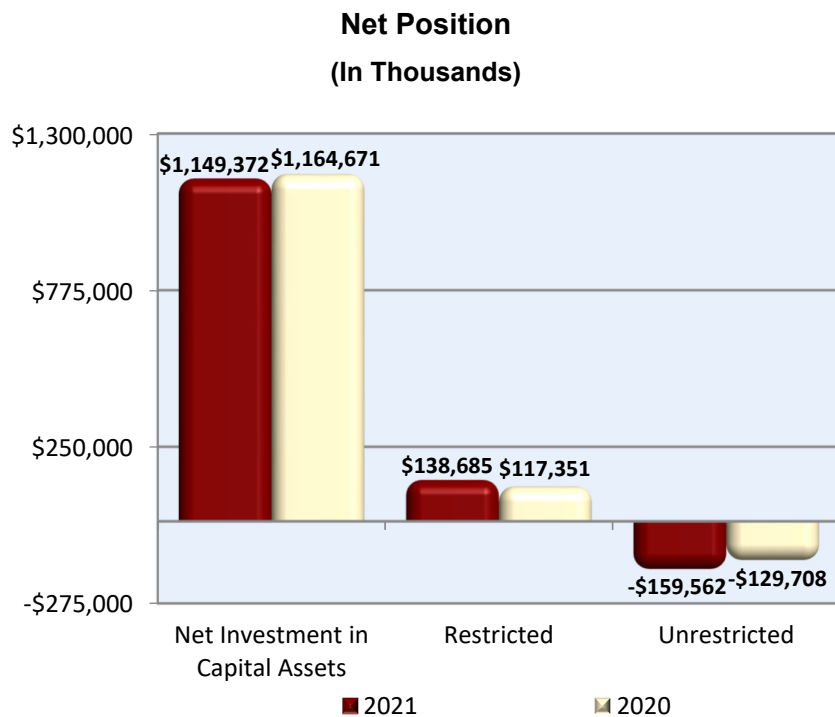
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2021, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2021, and June 30, 2020.

FINANCIAL HIGHLIGHTS

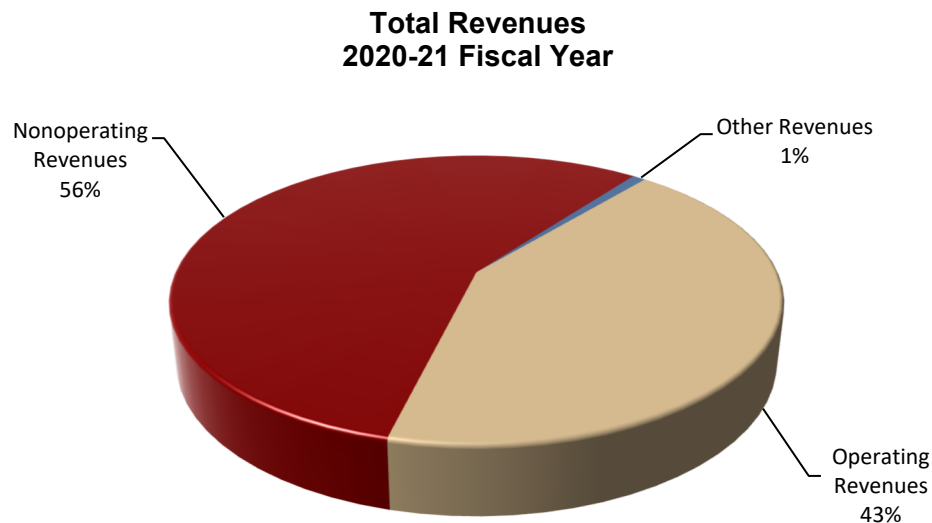
The University's assets and deferred outflows of resources totaled \$2.4 billion at June 30, 2021. This balance reflects a \$120.3 million, or 5.3 percent, increase as compared to June 30, 2020, resulting primarily from an increase of deferred outflows related to other postemployment benefits. Liabilities and deferred inflows of resources increased by \$144.2 million, or 13.1 percent, totaling \$1.2 billion at June 30, 2021, resulting primarily from the annual change in actuarial determined amounts for other postemployment benefits and pensions. As a result, the University's net position decreased by \$23.8 million, resulting in a year-end balance of \$1.1 billion.

The University's operating revenues totaled \$570.3 million for the 2020-21 fiscal year, representing a 0.7 percent increase compared to the 2019-20 fiscal year. Operating expenses totaled \$1.3 billion for the 2020-21 fiscal year, representing an increase of 3.3 percent as compared to the 2019-20 fiscal year due mainly to increases in services and supplies and scholarships, fellowships and waivers.

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, 2021, and June 30, 2020, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2020-21 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2021	2020
Assets		
Current Assets	\$ 707,508	\$ 623,245
Capital Assets, Net	1,275,970	1,302,709
Other Noncurrent Assets	81,796	91,445
Total Assets	2,065,274	2,017,399
Deferred Outflows of Resources	307,212	234,747
Liabilities		
Current Liabilities	135,635	124,556
Noncurrent Liabilities	931,190	889,696
Total Liabilities	1,066,825	1,014,252
Deferred Inflows of Resources	177,166	85,580
Net Position		
Net Investment in Capital Assets	1,149,372	1,164,671
Restricted	138,685	117,351
Unrestricted	(159,562)	(129,708)
Total Net Position	\$ 1,128,495	\$ 1,152,314

Total liabilities as of June 30, 2021, increased by \$52.6 million, or 5.2 percent. Deferred outflows of resources increased by \$72.5 million, or 30.9 percent. Deferred inflows of resources increased by \$91.6 million, or 107 percent. These changes were primarily related to annual changes in actuarial determined amounts for other postemployment benefits and pensions.

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 2020-21 and 2019-20 fiscal years:

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

(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Operating Revenues	\$ 570,257	\$ 566,256
Less, Operating Expenses	<u>1,320,272</u>	<u>1,278,481</u>
Operating Loss	(750,015)	(712,225)
Net Nonoperating Revenues	<u>715,239</u>	<u>666,127</u>
Loss Before Other Revenues	(34,776)	(46,098)
Other Revenues	<u>10,957</u>	<u>11,111</u>
Net Decrease In Net Position	<u>(23,819)</u>	<u>(34,987)</u>
Net Position, Beginning of Year	<u>1,152,314</u>	<u>1,187,301</u>
Net Position, End of Year	<u><u>\$ 1,128,495</u></u>	<u><u>\$ 1,152,314</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 gives or receives something of equal or similar value.

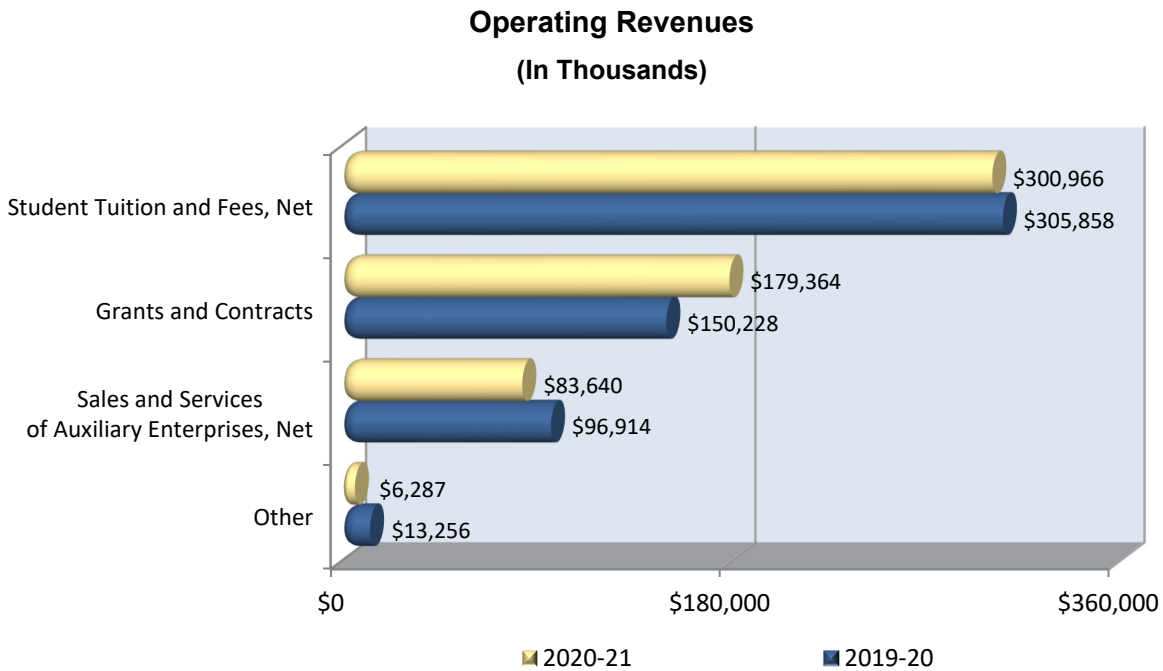
The following summarizes the operating revenues by source that were used to fund operating activities for the 2020-21 and 2019-20 fiscal years:

**Operating Revenues
For the Fiscal Years**

(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Student Tuition and Fees, Net	\$ 300,966	\$ 305,858
Grants and Contracts	179,364	150,228
Sales and Services of Auxiliary Enterprises, Net	83,640	96,914
Other	<u>6,287</u>	<u>13,256</u>
Total Operating Revenues	<u><u>\$ 570,257</u></u>	<u><u>\$ 566,256</u></u>

The following chart presents the University's operating revenues for the 2020-21 and 2019-20 fiscal years:



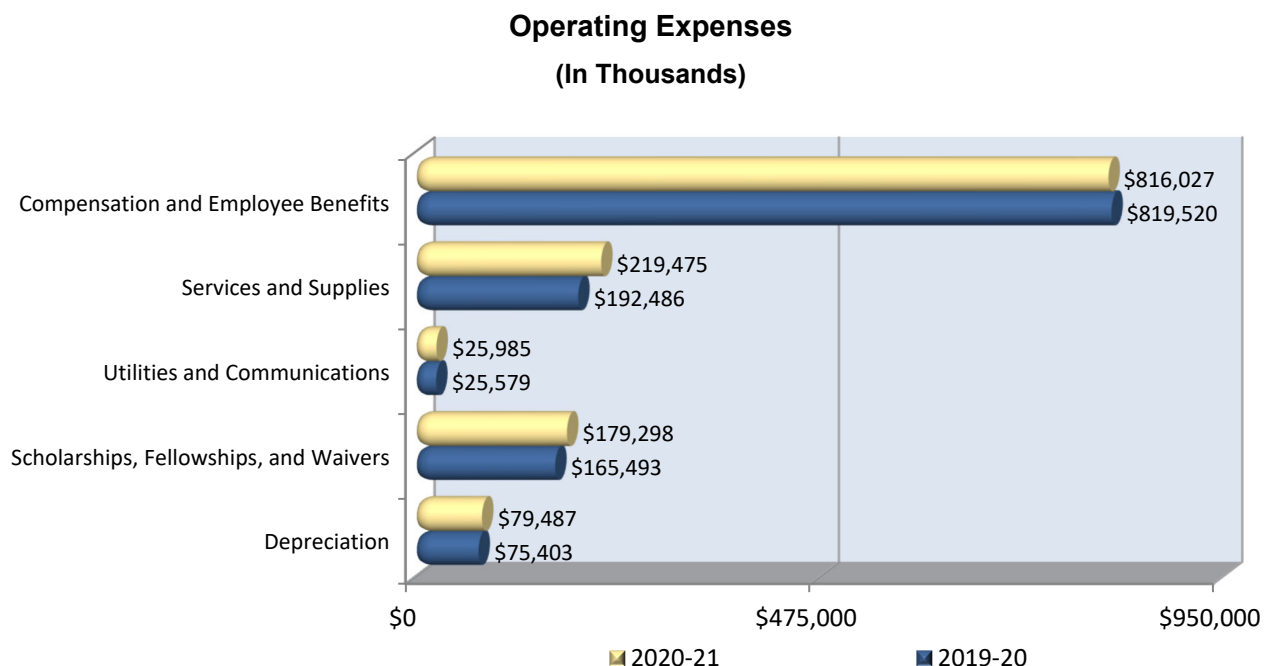
Operating Expenses

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 2020-21 and 2019-20 fiscal years:

Operating Expenses For the Fiscal Years (In Thousands)		
	2020-21	2019-20
Compensation and Employee Benefits	\$ 816,027	\$ 819,520
Services and Supplies	219,475	192,486
Utilities and Communications	25,985	25,579
Scholarships, Fellowships, and Waivers	179,298	165,493
Depreciation	79,487	75,403
Total Operating Expenses	\$ 1,320,272	\$ 1,278,481

The following chart presents the University's operating expenses for the 2020-21 and 2019-20 fiscal years:



Operating expenses increased \$ 41.8 million, or 3.3 percent, over the 2019-20 fiscal year. Services and supplies increased by \$27 million, or 14 percent, primarily due to the Puerto Rico Arecibo telescope demolition cleanup efforts. Scholarships, fellowships, and waivers increased by \$13.8 million, or 8.3 percent, resulting from increased awards for the Florida Bright Futures Scholarship Program, and Federal Higher Education Emergency Relief Fund (HEERF) awards.

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, 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 2020-21 and 2019-20 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years
(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
State Noncapital Appropriations	\$368,981	\$378,429
Federal and State Student Financial Aid	301,376	264,065
Investment Income	32,412	28,695
Other Nonoperating Revenues	49,315	40,405
Loss on Disposal of Capital Assets	(491)	(323)
Interest on Capital Asset-Related Debt	(5,247)	(5,952)
Other Nonoperating Expenses	(31,107)	(39,192)
Net Nonoperating Revenues	<u><u>\$715,239</u></u>	<u><u>\$666,127</u></u>

Net nonoperating revenues increased by \$49.1 million, or 7.4 percent, primarily due to a rise in Federal and State student financial aid of \$37.3 million. The University received Federal HEERF funding for emergency student financial aid awards in response to the COVID-19 pandemic and additional funds for the Florida Bright Futures Scholarship Program.

Other Revenues

This category is composed of State capital appropriations, capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2020-21 and 2019-20 fiscal years:

Other Revenues
For the Fiscal Years
(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
State Capital Appropriations	\$ 10,651	\$ 9,338
Capital Grants, Contracts, Donations, and Fees	306	1,773
Total	<u><u>\$ 10,957</u></u>	<u><u>\$ 11,111</u></u>

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 2020-21 and 2019-20 fiscal years:

**Condensed Statement of Cash Flows
For the Fiscal Years**

(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Cash Provided (Used) by:		
Operating Activities	\$ (588,215)	\$ (587,238)
Noncapital Financing Activities	692,023	632,128
Capital and Related Financing Activities	(63,070)	(82,972)
Investing Activities	(82,098)	75,155
Net Increase (Decrease) in Cash and Cash Equivalents	(41,360)	37,073
Cash and Cash Equivalents, Beginning of Year	65,347	28,274
Cash and Cash Equivalents, End of Year	<u>\$ 23,987</u>	<u>\$ 65,347</u>

Cash and cash equivalents decreased \$41.4 million. Cash inflows from noncapital financing activities increased by \$59.9 million primarily due to an increase in cash received from Federal and State student financial aid and HEERF funding. Cash used for capital and related financing activities decreased by \$19.9 million primarily due to decreased construction activities and reduced debt service payments as a result of recent debt refunding. Cash used by investing activities increased by \$157.3 million primarily due to an increase in the purchase of investments.

Major sources of funds came from State noncapital appropriations (\$369 million), net student tuition and fees (\$299.7 million), Federal and State student financial aid (\$301.4 million), grants and contracts (\$178.5 million), and sales and services of auxiliary enterprises (\$89.1 million). Major uses of funds were for payments to employees (\$736.6 million), payments to suppliers for goods and services (\$248.6 million), and payments to students for scholarships and fellowships totaling (\$179.3 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
--

Capital Assets

At June 30, 2021, the University had \$2.3 billion in capital assets, less accumulated depreciation of \$1 billion, for net capital assets of \$1.3 billion. Depreciation charges for the current fiscal year totaled \$79.5 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)

	2021	2020
Land	\$ 43,016	\$ 43,016
Construction in Progress	11,326	34,516
Buildings	1,098,923	1,100,552
Infrastructure and Other Improvements	42,917	44,199
Furniture and Equipment	37,627	39,974
Library Resources	30,534	28,768
Leasehold Improvements	11,180	11,173
Works of Art and Historical Treasures	447	511
Capital Assets, Net	\$1,275,970	\$1,302,709

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, 2021, were incurred on projects completed: Roth Athletic Center and Student Union Expansion, and projects currently in progress: Partnership IV and V, Millican Hall and College of Science HVACs, and Visual Arts. The University's major construction commitments at June 30, 2021, are as follows:

	Amount (In Thousands)
Total Committed	\$ 16,730
Completed to Date	(11,326)
Balance Committed	\$ 5,404

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

Debt Administration

As of June 30, 2021, the University had \$145.3 million in outstanding capital improvement debt payable, and loans and notes payable, representing a decrease of \$13.2 million, or 8.3 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)

	2021	2020
Capital Improvement Debt	\$ 88,025	\$ 96,126
Loans and Notes Payable	57,273	62,347
Total	\$ 145,298	\$ 158,473

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. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2021-22 fiscal year. The University manages this through the continual efficient and strategic use of resources and entrepreneurial efforts by academic, administrative, and auxiliary departments. The budget that the Florida Legislature adopted for the 2021-22 fiscal year provided a \$203.4 million increase in base funding for State University System of which the University received \$10.1 million. Further, the University's performance funding was reduced by \$2.3 million.

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. Net tuition and fee revenue decreased 1.6 percent from the 2019-20 fiscal year to the 2020-21 fiscal year. The decrease was primarily due to a 7.2 percent increase in tuition scholarship allowance. Overall, enrollment increased 3.4 percent with a student count of approximately 71,913. The change was primarily due to a 1,643 headcount increase in undergraduate students entering college for the first time and a 384 headcount increase in students pursuing a Master's degree. 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 Danta White, CPA, Assistant Vice President and University Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

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

June 30, 2021

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 16,841,617	\$ 32,471,864
Restricted Cash and Cash Equivalents	3,360,383	51,918,031
Investments	577,664,418	-
Accounts Receivable, Net	72,582,876	17,629,953
Loans and Notes Receivable, Net	122,176	-
Due from State	26,006,583	-
Due from Component Units	1,080,571	7,872,884
Due from University	-	30,866,187
Inventories	2,682,923	-
Other Current Assets	7,166,056	2,000,579
Total Current Assets	707,507,603	142,759,498
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,785,293	5,664,207
Restricted Investments	65,581,321	290,914,479
Loans and Notes Receivable, Net	2,318,210	9,472,279
Depreciable Capital Assets, Net	1,221,409,646	98,989,447
Nondepreciable Capital Assets	54,560,586	66,795,474
Due from Component Units	5,363,336	-
Other Noncurrent Assets	4,748,194	438,653
Total Noncurrent Assets	1,357,766,586	472,274,539
Total Assets	2,065,274,189	615,034,037
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	168,085,215	-
Pensions	128,232,341	-
Deferred Amount on Debt Refundings	10,894,258	4,243,210
Total Deferred Outflows of Resources	307,211,814	4,243,210
LIABILITIES		
Current Liabilities:		
Temporary Cash Overdraft	18,259,437	-
Accounts Payable	12,567,043	10,118,933
Construction Contracts Payable	3,452,318	-
Salary and Wages Payable	11,734,693	-
Deposits Payable	5,309,653	-
Due to Component Units	30,866,187	7,872,884
Due to University	-	1,080,571
Unearned Revenue	28,988,116	21,669,411
Other Current Liabilities	2,666,085	2,088,236
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	6,600,000	-
Bonds Payable	-	10,317,000
Loans and Notes Payable	2,684,000	2,772,500
Compensated Absences Payable	5,416,264	103,759
Other Postemployment Benefits Payable	6,352,381	-
Net Pension Liability	738,293	-
Total Current Liabilities	135,634,470	56,023,294

	<u>University</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	81,424,530	-
Bonds Payable	-	188,422,754
Loans and Notes Payable	54,589,193	78,906,397
Compensated Absences Payable	59,156,624	551,951
Other Postemployment Benefits Payable	385,159,704	-
Net Pension Liability	347,177,728	-
Unearned Revenue	-	28,101
Due to University	-	5,363,336
Other Noncurrent Liabilities	3,682,483	276,117
Total Noncurrent Liabilities	<u>931,190,262</u>	<u>273,548,656</u>
Total Liabilities	<u>1,066,824,732</u>	<u>329,571,950</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	171,961,431	-
Pensions	5,204,461	-
Total Deferred Inflows of Resources	<u>177,165,892</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	1,149,372,195	84,164,699
Restricted for Nonexpendable:		
Endowment	-	147,386,322
Restricted for Expendable:		
Debt Service	4,313	-
Loans	2,574,762	-
Capital Projects	88,074,906	7,902,193
Other	48,030,965	144,705,249
Unrestricted	(159,561,762)	(94,453,166)
TOTAL NET POSITION	<u>\$ 1,128,495,379</u>	<u>\$ 289,705,297</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2021

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$237,499,738 (Pledged for Capital Improvement Debt: \$15,499,424 for Parking)	\$ 300,965,898	\$ -
Federal Grants and Contracts	135,753,236	-
State and Local Grants and Contracts	13,785,057	-
Nongovernmental Grants and Contracts	29,826,051	-
Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital improvement Debt: \$22,218,959 for Housing and \$2,627,928 for Parking)	83,639,813	-
Gifts and Donations	-	64,052,865
Interest on Loans and Notes Receivable	130,019	-
Other Operating Revenues: (Pledged for Capital Improvement Debt: \$230,091 for Housing and \$413,470 for Parking)	6,156,901	175,621,746
Total Operating Revenues	<u>570,256,975</u>	<u>239,674,611</u>
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	816,026,009	23,998,617
Services and Supplies	219,474,817	109,228,523
Utilities and Communications	25,985,401	-
Scholarships, Fellowships, and Waivers	179,298,295	-
Depreciation	79,487,077	4,763,562
Total Operating Expenses	<u>1,320,271,599</u>	<u>137,990,702</u>
Operating Income (Loss)	<u>(750,014,624)</u>	<u>101,683,909</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	368,981,380	-
Federal and State Student Financial Aid	301,376,462	-
Investment Income	32,411,479	872,429
Other Nonoperating Revenues	49,314,774	12,737,526
Loss on Disposal of Capital Assets	(491,269)	-
Interest on Capital Asset-Related Debt	(5,246,943)	(8,187,567)
Other Nonoperating Expenses	(31,106,965)	(2,875,373)
Net Nonoperating Revenues	<u>715,238,918</u>	<u>2,547,015</u>
Income (Loss) Before Other Revenues	<u>(34,775,706)</u>	<u>104,230,924</u>
State Capital Appropriations	10,650,891	-
Capital Grants, Contracts, Donations, and Fees	306,252	-
Additions to Permanent Endowments	-	5,350,991
Increase (Decrease) in Net Position	<u>(23,818,563)</u>	<u>109,581,915</u>
Net Position, Beginning of Year	<u>1,152,313,942</u>	<u>180,123,382</u>
Net Position, End of Year	<u>\$ 1,128,495,379</u>	<u>\$ 289,705,297</u>

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

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

For the Fiscal Year Ended June 30, 2021

	<u>University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 299,741,635
Grants and Contracts	178,544,136
Sales and Services of Auxiliary Enterprises, Net	89,113,187
Interest on Loans and Notes Receivable	134,489
Payments to Employees	(736,613,008)
Payments to Suppliers for Goods and Services	(248,574,539)
Payments to Students for Scholarships and Fellowships	(179,298,295)
Collection on Loans to Students	1,119,897
Other Operating Receipts	7,617,258
Net Cash Used by Operating Activities	<u>(588,215,240)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	368,981,380
Federal and State Student Financial Aid	301,376,462
Federal Direct Loan Program Receipts	197,672,869
Federal Direct Loan Program Disbursements	(197,672,869)
Net Change in Funds Held for Others	(3,980,064)
Other Nonoperating Receipts	25,645,091
Net Cash Provided by Noncapital Financing Activities	<u>692,022,869</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	9,270,850
Capital Grants, Contracts, Donations and Fees	246,370
Other Receipts for Capital Projects	10,607,968
Purchase or Construction of Capital Assets	(64,282,831)
Principal Paid on Capital Debt and Leases	(13,705,361)
Interest Paid on Capital Debt and Leases	(5,207,359)
Net Cash Used by Capital and Related Financing Activities	<u>(63,070,363)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	900,789,668
Purchases of Investments	(998,203,139)
Investment Income	15,316,711
Net Cash Used by Investing Activities	<u>(82,096,760)</u>
Net Decrease in Cash and Cash Equivalents	<u>(41,359,494)</u>
Cash and Cash Equivalents, Beginning of Year	65,346,787
Cash and Cash Equivalents, End of Year	<u><u>\$ 23,987,293</u></u>

	<u>University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (750,014,624)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	79,487,077
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	1,221,415
Inventories	734,571
Other Assets	(790,999)
Accounts Payable	(928,621)
Salaries and Wages Payable	9,862,451
Deposits Payable	(150,573)
Compensated Absences Payable	2,879,286
Unearned Revenue	(2,433,588)
Other Liabilities	(312,527)
Other Postemployment Benefits Payable	(8,485,889)
Net Pension Liability	62,276,403
Deferred Outflows of Resources Related to Other Postemployment Benefits	(68,302,952)
Deferred Inflows of Resources Related to Other Postemployment Benefits	103,990,034
Deferred Outflows of Resources Related to Pensions	(4,842,230)
Deferred Inflows of Resources Related to Pensions	(12,404,474)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (588,215,240)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 17,927,106
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.	\$ (491,269)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Annual Comprehensive 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 Professions and Sciences (previously included in the College of Health and Public Affairs), and the Central Florida Clinical Practice Organization, Inc., faculty, staff, and resident physicians. Condensed financial statements for the University's blended component units are shown in a subsequent note. The condensed financial statements are reported net of eliminations.

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

Florida Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- University of Central Florida Foundation, Inc. is a not-for-profit Florida Corporation whose principal function is to provide charitable and educational aid to the University.
- University of Central Florida Research Foundation, Inc. was organized to promote and encourage, as well as assist in, the research activities of the University's faculty, staff, and students.
- UCF Athletics Association, Inc. was organized to promote intercollegiate athletics to benefit the University and surrounding communities.
- UCF Convocation Corporation was created to finance and construct a convocation center, and to manage the Towers student housing and its related retail space on the north side of campus.
- UCF Stadium Corporation was created to finance, build, and administer an on-campus football stadium.
- Central Florida Clinical Practice Organization, Inc. is an affiliated organization component unit of the University and was formed for the purpose of supporting the medical education program and clinical faculty within the College of Medicine.
- UCF Academic Health, Inc. is a not-for-profit Florida Corporation whose purpose is to promote and support medical education, research, and patient care through the planning and development of clinical initiatives and affiliated partnerships that serve the education, research and clinical mission and objectives of the College of Medicine.
- Limbitless Solutions, Inc. is a not-for-profit Florida Corporation whose purpose is to develop affordable open source 3D printed bionic solutions for individuals with disabilities, increase accessibility with art infused bionics, and to promote access and engagement in STEM/STEAM education. Financial activities of this component unit are not included in the University's financial statements as the total assets related to this component unit represent less than one percent of the total aggregate component units' assets.

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

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

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Position

- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements
- Other Required Supplementary Information

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

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

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

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, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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, using a ratio of total aid to aid not considered third-party aid.

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts, money market funds, and investments with original maturities of 3 months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. The University also holds \$17,477,132 in money market funds and short-term investments. The money market funds and investments are permissible under the current investment policy; the primary portion of these investments are held in Rule 2a-7 mutual funds and securities rated AAA (or its equivalent) by a nationally recognized statistical rating organization. The Corporation, a blended component unit, holds \$3,360,383 in money market funds. The money market funds are uninsured, but collateralized by securities held by the financial institutions, not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

<u>Component Unit</u>	<u>Cash in Bank</u>	<u>Money Market Funds</u>	<u>Total</u>
University of Central Florida Foundation, Inc.	\$ 10,863,966	\$ 42,351,032	\$ 53,214,998
University of Central Florida Research Foundation, Inc.	419,472	-	419,472
UCF Athletics Association, Inc.	12,550,580	100,778	12,651,358
UCF Convocation Corporation	1,563,104	15,107,481	16,670,585
UCF Stadium Corporation	-	22,947	22,947
UCF AcademicHealth, Inc.	584,963	-	584,963
Central Florida Clinical Practice Organization, Inc.	6,489,779	-	6,489,779
Total Component Units	\$ 32,471,864	\$ 57,582,238	\$ 90,054,102

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 \$23,450,036, \$4,901,312, and \$1,344,536, respectively.

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

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest-bearing demand deposits, money market, and cash deposits. At June 30, 2021, approximately \$10,227,754 in cash deposits were not insured by Federal deposit insurance and were not collateralized.
- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are insured up to the Federal Deposit

Insurance Corporation (FDIC) limits. As of June 30, 2021, no part of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

- **UCF Convocation Corporation** – At June 30, 2021, the Convocation Corporation held \$15,107,481 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name. Additionally, at June 30, 2021, the Convocation Corporation held \$1,563,104 in cash deposits at a financial banking institution. These funds are collateralized with securities held by the pledging financial institution, but not in the depositor's name.
- **UCF Stadium Corporation** – At June 30, 2021, the Stadium Corporation held \$22,947 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.
- **Central Florida Clinical Practice Organization, Inc.** – At June 30, 2021, the Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling \$6,260,047, were in excess of the Federal deposit insurance limit as of June 30, 2021.
- **UCF Academic Health, Inc.** – At June 30, 2021, UCF Academic Health, Inc. had deposits in a banking institution. A portion of the deposits, totaling \$334,963, was in excess of the Federal deposit insurance limit as of June 30, 2021.

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

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

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

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

2. Deficit Net Position in Individual Funds

The University reported an unrestricted net position which included a deficit in the current funds – unrestricted as shown below:

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (277,304,742)
Auxiliary Funds	117,742,980
Total	\$ (159,561,762)

As shown in the following schedule, this deficit can be attributed primarily to the full recognition of certain long-term liabilities (i.e., compensated absences payable, other postemployment benefits payable, and net pension liabilities) in the current unrestricted funds that are expected to be paid over a period of time:

	<u>Amount</u>
Total Unrestricted Net Position Before Recognition of Certain Long-Term Liabilities, and Deferred Outflows and Deferred Inflows of Resources	<u>\$ 525,287,568</u>
Amount Expected to be Paid in Future Years:	
Compensated Absences Payable	64,572,888
Other Postemployment Benefits Payable and Related Deferred Outflows and Deferred Inflows of Resources	395,388,301
Net Pension Liability and Related Deferred Outflows and Deferred Inflows of Resources	<u>224,888,141</u>
Total Amount Expected to be Paid in Future Years	<u>684,849,330</u>
Total Unrestricted Net Position	<u>\$ (159,561,762)</u>

3. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;

interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

All of the University's recurring fair value measurements as of June 30, 2021, are valued using quoted market prices (Level 1 inputs), with the exception of corporate municipal and other bonds, certain Federal agency obligations and certificates of deposit which are valued using a matrix pricing model which may consider quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices that are observable (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2021, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 299,457,414	\$ -	\$ -	\$ 299,457,414
SBA Debt Service Accounts	4,313	4,313	-	-
Obligations of United States Government				
Agencies and Instrumentalities	71,690,079	71,690,079	-	-
Federal Agency Obligations	27,960,993	-	27,960,993	-
Bonds and Notes	89,422,348	200,454	89,221,894	-
Mutual Funds				
Equities	131,522,206	131,522,206	-	-
Bonds	23,188,386	23,188,386	-	-
Total investments by fair value level	\$ 643,245,739	\$ 226,605,438	\$ 117,182,887	\$ 299,457,414

Investments held by the University's component units at June 30, 2021, are reported as follows:

					Fair Value Measurements Using		
					Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	University of Central Florida Academic Health, Inc.	Total			
Equity - Domestic	\$ 6,946,635	\$ 49,036	\$ -	\$ 6,995,671	\$ 6,946,635	\$ 49,036	\$ -
Equity - International	29,603,665	-	-	29,603,665	29,603,665	-	-
Domestic - Fixed Income	46,045,066	-	-	46,045,066	46,045,066	-	-
Real Assets	5,527,000	-	-	5,527,000	-	-	5,527,000
Total investments by fair value level	88,122,366	49,036	-	88,171,402	\$ 82,595,366	\$ 49,036	\$ 5,527,000
Investments measured at the net asset value (NAV)							
Equity - Domestic	27,842,514	-	-	27,842,514			
Equity - International	75,787,392	-	-	75,787,392			
Domestic - Fixed Income	17,899,735	-	-	17,899,735			
International Fixed Income	15,295,517	-	-	15,295,517			
Private Equity Funds	13,232,730	-	-	13,232,730			
Private Debt Funds	10,082,680	-	-	10,082,680			
Hedge Funds:							
Credit	8,758,678	-	-	8,758,678			
Event Driven	9,003,817	-	-	9,003,817			
Global Macro	5,476,100	-	-	5,476,100			
Equity Linked	2,230,761	-	-	2,230,761			
Real Assets	1,996,153	-	-	1,996,153			
Total investments measured at the NAV	187,606,077	-	-	187,606,077			
Investments measured using the equity method	-	-	15,137,000	15,137,000			
Total investments	\$ 275,728,443	\$ 49,036	\$ 15,137,000	\$290,914,479			

All of the University's component units' recurring fair value measurements as of June 30, 2021, are valued using quoted market prices (Level 1 inputs), with the exception of equity investments valued quarterly by respective fund managers (Level 2 inputs) and real assets valued based on an appraisal utilizing recent sale and property comparisons of like assets (Level 3 inputs).

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

Investments measured at the net asset value (NAV)	University of Central Florida Foundation, Inc.	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity - Domestic	\$ 27,842,514	\$ -	Immediate	
Equity - International	75,787,392	-	Immediate	
Domestic - Fixed Income	17,899,735	-	Immediate	
International Fixed Income	15,295,517	-	Monthly	30 Days
Private Equity Funds	13,232,730	11,431,307		
Private Debt Funds	10,082,680	3,870,335		
Hedge Funds:				
Credit	8,758,678	-	Monthly/Quarterly	30-90 Days
Event Driven	9,003,817	-	Monthly/Quarterly	60-90 Days
Global Macro	5,476,100	-	Monthly/Quarterly	30-62 Days
Equity Linked	2,230,761	-	Quarterly	60 Days
Real Assets	1,996,153	3,864,119		
Total investments measured at the NAV	\$ 187,606,077	\$ 19,165,761		

Net Asset Value.

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

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

Domestic Fixed Income: The fund is operated by a money manager and is passively managed to an index. The fund is privately placed, and its fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of the fund is provided by the money manager which uses a quoted price in the active markets for the underlying assets.

International Fixed Income: The fund is operated by a money manager and is passively managed. The fund utilizes a focus on credit driven strategies for the underlying investments and can contain both domestic and international investments in the portfolio. The fund is privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair values of the fund is provided by the money manager which use a quoted price in active markets for the underlying assets.

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

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

Event Driven Hedge Funds: The event driven hedge funds class includes investments in hedge funds that invest across the capital structure in equity and debt securities. Managers invest in situations with

the expectation that a near term event will act as a catalyst changing the market's perception of a company, thereby increasing or decreasing the value of its equity or debt. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

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

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

Real Assets: Real assets include three investment vehicles consisting of a distinct limited liability company. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets or notes of the fund. Real assets consist of capital not traded on a public, primary exchange. For purposes of this portfolio, real assets include private holdings in domestic and international real estate. Real asset commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. In this portfolio, real assets capital is invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

External Investment Pools.

The University reported investments at fair value totaling \$299,457,414 at June 30, 2021, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.6 years, and fair value factor of 0.984 at June 30, 2021. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State

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

State Board of Administration Debt Service Accounts.

The University reported investments totaling \$4,313 at June 30, 2021, 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 Annual Comprehensive Financial Report.

Other Investments.

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University and its component units in debt securities, bond mutual funds, and debt related hedge funds, and their future maturities at June 30, 2021, are as follows:

University Debt Investments Maturities

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investments Maturities (In Years)</u>		
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>More Than 5</u>
United States Government and				
Federally-Guaranteed Obligations	\$ 71,690,079	\$ 12,170,111	\$ 51,675,503	\$ 7,844,465
Federal Agency Obligations	27,960,993	649,140	13,947,264	13,364,589
Bonds and Notes	89,422,348	8,495,637	62,430,382	18,496,329
Mutual Funds - Bonds	23,188,386	-	11,450,757	11,737,629
Total	\$ 212,261,806	\$ 21,314,888	\$ 139,503,906	\$ 51,443,012

Component Units' Debt Investments Maturities

Investment Type	Fair Value	Investments Maturities (In Years)			Investments Not Directly Subject To Interest Rate Risk (1)
		Less Than 1	1 - 5	More Than 5	
Domestic Fixed Income	\$ 63,944,801	\$ -	\$ 31,976,047	\$ 14,069,019	\$ 17,899,735
International Fixed Income	15,295,517	-	-	-	15,295,517
Private Debt	10,082,680	-	-	-	10,082,680
Hedge Funds	8,758,678	-	-	-	8,758,678
Total	\$ 98,081,676	\$ -	\$ 31,976,047	\$ 14,069,019	\$ 52,036,610

(1) Certain UCF Foundation alternative investments are held in funds and are not directly subject to credit risk. Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The investments listed above with quality ratings reflect the credit risk related to debt-type securities that are directly held by the Foundation.

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, 2021, of the University's and its component units' debt instruments using Moody's and Standard & Poor's nationally recognized rating agencies:

University Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A
Federal Agency Obligations	\$ 27,960,993	\$ 22,225,128	\$ 5,735,865	\$ -	\$ -
Bonds and Notes	89,422,348	26,911,898	17,207,039	42,157,114	3,146,297
Mutual Funds - Bonds	23,188,386	-	5,695,419	17,492,967	-
Total	\$ 140,571,727	\$ 49,137,026	\$ 28,638,323	\$ 59,650,081	\$ 3,146,297

Component Units' Debt Investments Quality Ratings

Investment Type	Fair Value	AAA	AA	A	Less Than A	Investments Not Directly Subject To Credit Risk (1)
Domestic Fixed Income	\$63,944,801	\$27,817,443	\$13,874,819	\$173,819	\$4,178,985	\$17,899,735
International Fixed Income	15,295,517	-	-	-	-	15,295,517
Private Debt	10,082,680	-	-	-	-	10,082,680
Hedge Funds	8,758,678	-	-	-	-	8,758,678
Total	\$98,081,676	\$27,817,443	\$13,874,819	\$173,819	\$4,178,985	\$52,036,610

(1) Certain UCF Foundation alternative investments are held in funds and are not directly subject to credit risk. Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The investments listed above with quality ratings reflect the credit risk related to debt-type securities that are directly held by the Foundation.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's or its component units' investments in a single issuer. The University's and its component units' investment policies require diversification sufficient to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. The University's investment policy states that not more than 5 percent of the investment portfolio's assets shall be invested in securities in 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.

4. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2021, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	\$38,746,262
Contracts and Grants	26,612,102
Other	7,224,512
Total Accounts Receivable	\$72,582,876

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 \$2,480,086 and \$1,113,198, respectively, at June 30, 2021.

5. Due From State

The amount due from State consists of \$26,006,583 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.

6. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 43,016,240	\$ -	\$ -	\$ 43,016,240
Works of Art and Historical Treasures	218,000	-	-	218,000
Construction in Progress	34,515,580	25,892,798	49,082,032	11,326,346
Total Nondepreciable Capital Assets	\$ 77,749,820	\$ 25,892,798	\$ 49,082,032	\$ 54,560,586
Depreciable Capital Assets:				
Buildings	\$ 1,672,498,605	\$ 51,250,322	\$ -	\$ 1,723,748,927
Infrastructure and Other Improvements	82,062,447	1,422,685	-	83,485,132
Furniture and Equipment	248,826,409	14,900,630	5,051,693	258,675,346
Library Resources	152,440,516	6,730,930	-	159,171,446
Leasehold Improvements	23,113,833	2,131,452	-	25,245,285
Works of Art and Historical Treasures	1,677,354	-	-	1,677,354
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Depreciable Capital Assets	2,188,469,599	76,436,019	5,051,693	2,259,853,925
Less, Accumulated Depreciation:				
Buildings	571,946,885	52,879,199	-	624,826,084
Infrastructure and Other Improvements	37,863,516	2,704,406	-	40,567,922
Furniture and Equipment	208,852,576	16,749,015	4,552,773	221,048,818
Library Resources	123,672,604	4,964,742	-	128,637,346
Leasehold Improvements	11,940,628	2,124,172	-	14,064,800
Works of Art and Historical Treasures	1,383,331	65,543	-	1,448,874
Computer Software and Other Capital Assets	7,850,435	-	-	7,850,435
Total Accumulated Depreciation	963,509,975	79,487,077	4,552,773	1,038,444,279
Total Depreciable Capital Assets, Net	\$ 1,224,959,624	\$ (3,051,058)	\$ 498,920	\$ 1,221,409,646

7. Temporary Cash Overdraft

The University maintained an account with a local bank to process general operating expenses and payroll transactions. Funds in excess of current need, including float, were invested. As a result, the University's records showed a temporary cash overdraft for the amount of outstanding checks not presented as of June 30, 2021. This did not, however, represent an overdraft in the University's depository account.

8. Unearned Revenue

Unearned revenue at June 30, 2021, includes grant and contract prepayments, auxiliary prepayments, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2021, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Auxiliary Prepayments	\$ 20,496,314
Grant and Contracts	7,554,945
Student Tuition and Fees	936,857
Total Unearned Revenue	\$ 28,988,116

9. Deferred Outflow / Inflow of Resources

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 \$128,232,341 and deferred inflows of resources related to pensions were \$5,204,461 for the year ended June 30, 2021. Note 11. includes a complete discussion of defined benefit pension plans.

The deferred outflows and inflows related to Other Postemployment Benefits (OPEB) are an aggregate of items related to OPEB as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program. Total deferred outflows of resources related to OPEB were \$168,085,215 and deferred inflows of resources related to OPEB were \$171,961,431 for the year ended June 30, 2021. Note 10. includes a complete discussion of Other Postemployment Benefits.

The total deferred outflows of resources related to the deferred loss on debt refunding's were \$10,894,258 for the year ended June 30, 2021. The deferred loss was created as a result of the UCF Finance Corporation debt refinancing and will be amortized as a component of interest expense over the remaining life of the UCF Finance Corporation's Series 2017 refunding term loan. Note 10. includes a complete discussion of the UCF Finance Corporation's debt refinancing.

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2021, include capital improvement debt payable, loans and notes payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2021, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	\$ 96,125,838	\$ -	\$ 8,101,308	\$ 88,024,530	\$ 6,600,000
Loans and Notes Payable	62,347,398	-	5,074,205	57,273,193	2,684,000
Compensated Absences Payable	61,693,602	8,837,433	5,958,147	64,572,888	5,416,264
Other Postemployment Benefits Payable	399,997,974	262,183,283	270,669,172	391,512,085	6,352,381
Net Pension Liability	285,639,618	190,877,128	128,600,725	347,916,021	738,293
Other Noncurrent Liabilities	5,077,523	1,459,535	2,854,575	3,682,483	-
Total Long-Term Liabilities	\$ 910,881,953	\$ 463,357,379	\$ 421,258,132	\$ 952,981,200	\$ 21,790,938

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2021:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2012A - Housing	\$ 66,640,000	\$ 53,617,152	3 to 5	2042
2018A - Housing	23,255,000	19,298,209	5	2030
Total Student Housing Debt	89,895,000	72,915,361		
Parking Garage Debt:				
2011A - Parking Garage	11,005,000	565,363	3	2022
2012A - Parking Garage	7,860,000	5,406,031	3 to 5	2032
2018A - Parking Garage	4,790,000	2,782,325	5	2024
2019A - Parking Garage	6,120,000	6,355,450	5	2029
Total Parking Garage Debt	29,775,000	15,109,169		
Total Capital Improvement Debt	\$ 119,670,000	\$ 88,024,530		

(1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future housing rental and parking revenues to repay \$119,670,000 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 and parking garages. The bonds are payable solely from housing rental revenues and parking and transportation 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 \$110,005,688, and principal and interest paid for the current year totaled \$11,212,025. During the 2020-21 fiscal year, operating revenues generated from housing rentals and parking revenues totaled \$22,449,050 and \$18,540,822, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 6,600,000	\$ 3,408,250	\$ 10,008,250
2023	6,380,000	3,083,250	9,463,250
2024	6,700,000	2,762,600	9,462,600
2025	6,065,000	2,454,100	8,519,100
2026	6,305,000	2,211,200	8,516,200
2027-2031	27,430,000	7,442,469	34,872,469
2032-2036	9,630,000	3,930,363	13,560,363
2037-2041	11,230,000	1,774,375	13,004,375
2042	2,545,000	54,081	2,599,081
Subtotal	82,885,000	27,120,688	110,005,688
Net Discounts and Premiums	5,139,530	-	5,139,530
Total	<u>\$ 88,024,530</u>	<u>\$ 27,120,688</u>	<u>\$ 115,145,218</u>

Loans and Notes Payable. During the 2017-18 fiscal year, one of the University's blended component units, the UCF Finance Corporation (Corporation), issued a \$63,359,000 Refunding Term Loan, Series 2017, with a bank. The proceeds from the term loan were used to extinguish the Corporation's Series 2007 bonds and terminate an interest rate swap liability. The loan will mature on July 1, 2037, and bear interest at a fixed rate of 2.4 percent per annum with a 15-year interest put option. The loan is secured by the University's indirect cost revenues received by the University from Federal, State, and private grants.

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 term loan.

In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, the loan is not subject to any acceleration clauses.

During the 2017-2018 fiscal year, the Corporation entered into a note with a bank for up to \$20,000,000 to secure the construction commitments for a new University Downtown campus education facility. The note bears a variable rate of interest equal to a per annum rate of 81 percent multiplied by the sum of the LIBOR plus 0.50 percent and is subject to adjustment to reflect changes in the LIBOR Rate. The rate on June 30, 2021, was 0.48 percent. The balance of the note was \$1,592,194 as of June 30, 2021. Payments are made on an annual basis on March 8 of each year beginning March 8, 2020, with a final maturity date of March 8, 2023. The note is secured by an assignment of philanthropic pledges received

by the University of Central Florida Foundation, Inc. and the outstanding balance on the note cannot exceed the total pledges receivable. At June 30, 2021, the Foundation carried a pledge receivable balance of \$5,276,200.

In the event of default, no further draws would be permissible, and the Noteholder shall be entitled to sue for any amounts adjudged or decreed to be payable, and the interest rate shall increase to the lesser of the sum of the Prime Rate plus 4 percent, or the maximum lawful rate. The note is not subject to any acceleration clauses.

Annual requirements to amortize the outstanding term loan as of June 30, 2021, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 2,684,000	\$ 1,311,211	\$ 3,995,211
2023	4,342,193	1,246,003	5,588,196
2024	2,816,000	1,172,136	3,988,136
2025	2,885,000	1,103,724	3,988,724
2026	2,955,000	1,033,644	3,988,644
2027-2031	15,888,000	4,055,952	19,943,952
2032-2036	17,914,000	2,030,136	19,944,136
2037-2038	7,789,000	188,053	7,977,053
Total	\$ 57,273,193	\$ 12,140,859	\$ 69,414,052

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, 2021, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$64,572,888. The current portion of the compensated absences liability, \$5,416,264, is the amount expected to be paid in the coming fiscal year and is based on actual payouts over the last 3 years calculated as a percentage of those years' total compensated absences liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

General Information about the OPEB Plan

Plan Description. The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. 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. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to

active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a “retiree” if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor’s recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Proportionate Share of the Total OPEB Liability

The University’s proportionate share of the total OPEB liability of \$391,512,085 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2020, the University’s proportionate share, determined by its proportion of total benefit payments made, was 3.804765461 percent, which was an increase of 0.644786855 from its proportionate share reported as of June 30, 2019.

Actuarial Assumptions and Other Inputs. The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Salary increases	3.25 percent
Discount rate	2.66 percent
Healthcare cost trend rates	
PPO Plan	7.8 percent for 2021, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
HMO Plan	5.7 percent for 2021, decreasing to an ultimate rate of 4.04 percent for 2076 and later years
Retirees’ share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the S&P Municipal 20-year High Grade Rate Index.

Mortality rates were based on the PUB 2010 mortality tables which incorporate fully generational mortality improvement using Scale MP-2018.

The demographic actuarial assumptions for retirement, withdrawal, disability and salary merit scales used in the July 1, 2020 valuation are consistent with the assumptions used in the July 1, 2019 valuation of the FRS Plan.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 12-month period since July 1, 2020.
- The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.79 percent to 2.66 percent.
- The mortality rates were updated to align with those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019. Rates were previously based on RP-2000 mortality tables with fully generational improvement using Scale BB. Underlying tables were updated to use PUB-2010 mortality tables with fully generational improvement using Scale MP-2018. This change decreased the Total OPEB Liability by about 5 percent.
- The previous valuation conducted as of July 1, 2019, reflected the full impact of the Excise Tax that was to go into effect in 2022. The impact of this change was an increase in liabilities of about 12 percent. Since the previous valuation, this tax was repealed. The current valuation reflects this. The impact of this change is a decrease in the Total OPEB Liability of about 13 percent.
- The assumed claims and premiums reflect the actual claims information as well as the premiums that are actually being charged to participants. The recent favorable claims experience resulted in lower liabilities as of June 30, 2020.
- The medical trend assumption is updated each year based on the Getzen Model. The medical trend rates used are consistent with the August 2020 Report on the Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgment. The impact of the trend rate changes is a small decrease in the liability, due primarily to lower trend rates in the first several years.
- Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement. For those who are not currently covered under the health plan, 72 percent are assumed to elect PPO coverage in retirement. The remaining 28 percent are assumed to elect HMO coverage. This assumption is based on guidance provided by the DSGI in an email on September 22, 2020. This change resulted in a small decrease in the Total OPEB Liability.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66 percent) or 1 percentage point higher (3.66 percent) than the current rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
University's proportionate share of the total OPEB liability	\$496,596,515	\$391,512,085	\$313,022,407

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the University's proportionate share of the

total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University's proportionate share of the total OPEB liability	\$304,733,786	\$391,512,085	\$512,171,718

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the fiscal year ended June 30, 2021, the University recognized OPEB expense of \$33,712,604. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 22,874,965
Change of assumptions or other inputs	51,759,199	148,162,402
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	109,814,606	924,064
Transactions subsequent to the measurement date	6,511,410	-
Total	<u>\$ 168,085,215</u>	<u>\$ 171,961,431</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$6,511,410 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ (5,080,374)
2023	(5,080,374)
2024	(5,080,374)
2025	(5,080,374)
2026	(5,645,924)
Thereafter	15,579,794
Total	<u>\$(10,387,626)</u>

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), 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, 2021, the University's

proportionate share of the net pension liabilities totaled \$347,916,021. Note 11. includes a complete discussion of defined benefit pension plans.

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 \$2,747,081 as of June 30, 2021.

Certificate of Participation Payable and Bonds Payable – Component Units.

UCF Convocation Corporation

During the 2013-14 and 2014-15 fiscal years, the UCF Convocation Corporation issued two refunding certificates of participation, Series 2014A for \$58,645,000, and Series 2014B for \$58,930,000 related to the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space during the 2004-05 and 2005-06 fiscal years. During the 2018-19 fiscal year, UCF Convocation Corporation issued \$104,636,000 Refunding Revenue Bonds, Series 2018 to prepay the outstanding Series 2014A and Series 2014B certificates of participation. The bonds will mature on October 1, 2035, and bears interest at a fixed rate of 3.52 percent per annum. The extinguishment of the defeased certificates terminated the ground lease between the UCF Convocation Corporation and the University. All related building and building improvement assets on the leased land transferred to the University.

During the 2015-16 fiscal year, the UCF Convocation Corporation issued a \$48,385,000 Refunding Revenue Bond, Series 2015A, and a \$34,775,000 Taxable Refunding Revenue Bond, Series 2015B, related to the acquisition, construction, and installation of a new convocation center, renovation of the existing University Arena, and construction of related infrastructure during the 2005-06 fiscal year. The 2015A bonds will mature on October 1, 2035 and bear interest at fixed rates ranging from 3 to 5 percent per annum and the 2015B bonds will mature on October 1, 2026 and bear interest at fixed rates ranging from 2 to 4.3 percent per annum.

The outstanding balance of UCF Convocation Corporation revenue bonds at June 30, 2021, was \$90,900,000 related to direct borrowings and was \$67,270,000 related to non-direct borrowings before an unamortized premium of \$806,316.

With the Refunding Revenue Bonds debt issuances, in the event either party fails to perform the covenants and obligations provided in the respective debt agreements, and such failure continues for a period of 30 days following written notice from the other party, such failure shall constitute a default under the terms and provisions of the agreements. In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, the Refunding Revenue Bonds are not subject to any acceleration clauses.

The University entered into an operating agreement with the UCF Convocation Corporation whereby the UCF Convocation Corporation will be solely responsible for management and operations of the convocation center and related facilities. The University assigned its rights, title, and interest in revenues

generated from use of the facilities to the UCF Convocation Corporation and granted it the right to pledge revenues to secure repayment of the refunding revenue bonds. The University retained the right for priority use of the facilities for a period of at least 100 days annually. In exchange, the University agreed to pay UCF Convocation Corporation \$2,200,000 per year for the term of the agreement. The term of the agreement ends in 2036 and cannot be terminated prior to the time that all related bonds have been paid in full. Amounts paid to UCF Convocation Corporation for the fiscal year ended June 30, 2021, totaled \$2,200,000.

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

In the 2020-21 fiscal year, the UCF Convocation Corporation met requirements necessary to release certain restricted funds held by the trustee. The Corporation's governing board made the decision to remit a portion of these funds back to the University. Transfers to the University totaled \$532,113 for the fiscal year ended June 30, 2021.

UCF Stadium Corporation

During the 2015-16 fiscal year, the UCF Stadium Corporation issued Series 2015A tax-exempt refunding revenue bonds for \$33,995,000 with a net premium of \$2,332,576, Series 2015B taxable refunding revenue bonds for \$10,250,000, and a Series 2015C non-taxable refunding revenue bond for \$3,810,000, to a bank, related to the construction of a football stadium on the campus at the University. The bonds include both term and serial bonds and are secured by a pledge from the UCF Athletics Association, Inc. of gross ticket revenues, rent, away game guarantees, conference distributions, and sponsorship revenues. The bonds bear fixed interest rates that range from 2.49 percent to 5.15 percent, and maturity dates that range from March 2029 to March 2036.

The outstanding balance of all UCF Stadium Corporation revenue bonds at June 30, 2021, was \$38,074,000, including \$1,954,000 of direct borrowings, before an unamortized premium of \$1,689,438.

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

With each of the UCF Stadium Corporation's debt issuances, in the event either party fails to perform the covenants and obligations provided in the respective debt agreements, and such failure continues for a period of 30 days following written notice from the other party, such failure shall constitute a default under the terms and provisions of the agreements. In the event of default, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall

have the right to pursue any and all available legal remedies in order to protect and enforce its rights. In any event of default, the UCF Stadium Corporation's debt is not subject to any acceleration clauses.

Loans and Notes Payable – Component Units.

UCF Foundation, Inc.

During the 2004-05 fiscal year, the University of Central Florida Foundation, Inc. entered into a note with a bank for the purchase of land and buildings. The note is secured by the buildings valued at \$6,072,206, and lease revenues. In May 2017, the note was refinanced to a 3.34 percent fixed rate. The principal balance at the time of the refinance was \$7,535,000 with the note still maturing on April 1, 2029. As of June 30, 2021, the remaining outstanding principal was \$5,348,000.

During the 2009-10 fiscal year, the University of Central Florida Foundation, Inc. entered into a note with a bank for \$19,925,000. The note is comprised of a tax-exempt portion with a fixed rate of 4.96 percent and a taxable portion with a fixed rate of 5.83 percent which matures on October 1, 2025. The note is secured by buildings valued at \$12,264,572 and lease revenue. As of June 30, 2021, the taxable note was fully repaid and the remaining outstanding principal for the tax-exempt note was \$8,340,000. The taxable series was paid in full during the 2017-18 fiscal year.

During the 2018-19 fiscal year, the University of Central Florida Foundation, Inc. entered into a \$50,000,000 30-year interest free and tax-exempt note with Orange County, Florida for the purchase of a building and related land. The note is secured by a mortgage on the land, a building valued at \$46,689,000, and the lease revenue generated has been pledged for debt repayment. The maturity date of the loan is the thirtieth anniversary of the first principal payment date. As of June 30, 2021, the remaining outstanding principal was \$50,000,000.

During the 2018-19 fiscal year, the University of Central Florida Foundation, Inc. entered into a 20-year tax-exempt note with a bank for \$6,000,000 for the purchase of a building and related land. The note matures on October 1, 2038, at a fixed rate of 3.93 percent. The purchased property, valued at \$5,919,395, represents security for the loan, and lease revenues generated from this building have been pledged for debt repayment. As of June 30, 2021, the remaining outstanding principal was \$5,559,000.

In the event of default of the notes, interest rates are subject to change and other fees and penalties may be assessed. Upon any such default, the non-defaulting party shall have the right to pursue any and all available legal remedies in order to protect and enforce its rights. The notes are subject to acceleration if the lender reasonably deems itself insecure for any reason.

UCF Athletics Association, Inc.

During the 2014-15 fiscal year, the UCF Athletics Association, Inc. modified a construction line of credit with a local bank to a line of credit promissory note. The note matures June 2033, and the repayment schedule assumes the agreement is renewed annually. If the agreement is not renewed, the entire balance will be due in full at that time. In July 2020, the UCF Athletics Association, Inc. renewed the agreement until July 2033, which carries interest at 79 percent of LIBOR plus 1.34 percent (1.93 percent at June 30, 2021). 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. In the event of default, the lender may declare the loan and all obligations to be fully due and payable in their

aggregate amount, together with accrued interest and all prepayment premiums, fees, and charges. The note is subject to acceleration if the lender reasonably deems itself insecure for any reason. As of June 30, 2021, the amount outstanding on the note was \$5,080,000.

During the 2019-20 fiscal year, the UCF Athletics Association, Inc. renewed an operating line of credit agreement with a local bank for \$8,550,000 to complete the buildout of phase two of the Roth Athletics Center located on the UCF campus. Principal payments are required by September 1 each year to reduce the loan balance to an agreed-upon amount negotiated annually. Interest on the loan is payable semi-annually at a fixed interest rate of 2 percent. The loan matures September 1, 2024, and is secured by certain pledged revenues of the Association.

On December 18, 2020, the UCF Athletics Association, Inc. entered into an 18-month revolving line of credit with the UCF Foundation, Inc. for \$4 million. The line bears simple interest at 3 percent per annum and matures in June 2022. It may be renewed for up to two additional 12-month periods. At June 30, 2021, there was \$4,052,500 outstanding including \$52,500 of accrued interest, leaving zero available on the operating line of credit. The term and credit limit for this line of credit were increased subsequent to year end.

Due to University – Component Units.

Three of its component units reported moneys due to the University totaling \$6,443,907. The UCF Athletics Association, Inc. received several loans from the University between 2004 and 2007. In 2009, those loans were consolidated into one loan. In July 2015, the Board of Trustees approved an amendment to the previous payment schedule. The 2020-21 fiscal year loan payment was deferred for 2 fiscal years and future years' payments range from \$1,000,000 to \$1,500,000, contingent on interest rates. The loan matures in the 2024-25 fiscal year and bears interest at a variable rate equal to the preceding fiscal year's average SPIA rate of return (3.16 percent for the 2020-21 fiscal year interest calculations). In the event of a default, after 30 days the entire principal sum and accrued interest becomes due at the option of the University and the interest rate shall increase to the highest rate allowable under Florida law. As of June 30, 2021, the amount outstanding, including interest, totaled \$5,363,336.

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 (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. 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.

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

The University's FRS and HIS pension expense totaled \$71,379,412 for the fiscal year ended June 30, 2021.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable 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 creditable 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 creditable 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.

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

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

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

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and 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 2020-21 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
FRS, Special Risk	3.00	24.45
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled \$23,278,684 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of \$281,012,993 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.648369723 percent, which was a decrease of 0.005967844 from its proportionate share measured as of June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$64,132,307. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,754,939	\$ -
Change of assumptions	50,872,293	-
Net difference between projected and actual earnings on FRS Plan investments	16,731,784	-
Changes in proportion and differences between University contributions and proportionate share of contributions	9,271,632	1,262,698
University FRS contributions subsequent to the measurement date	23,278,684	-
Total	<u><u>\$ 110,909,332</u></u>	<u><u>\$ 1,262,698</u></u>

The deferred outflows of resources totaling \$23,278,684, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 19,315,535
2023	27,630,308
2024	23,131,345
2025	13,443,662
2026	2,847,100
Total	\$ 86,367,950

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	100.0%			
Assumed inflation - Mean			2.4%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 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. The discount rate used in the 2020 valuation was updated from 6.90 percent to 6.80 percent.

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 6.80 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 (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
University's proportionate share of the net pension liability	\$448,730,524	\$281,012,993	\$140,934,582

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$3,064,876 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of \$66,903,028 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 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate

the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.547943658 percent, which was an increase of 0.009067303 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the University recognized pension expense of \$7,247,105. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,736,739	\$ 51,613
Change of assumptions	7,193,981	3,890,150
Net difference between projected and actual earnings on HIS Plan investments	53,418	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	4,273,995	-
University HIS contributions subsequent to the measurement date	3,064,876	-
Total	\$ 17,323,009	\$ 3,941,763

The deferred outflows of resources totaling \$3,064,876, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 3,264,331
2023	2,405,662
2024	1,093,447
2025	1,134,875
2026	1,306,353
Thereafter	1,111,702
Total	\$ 10,316,370

Actuarial Assumptions. The total pension liability at July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.21 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

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

Discount Rate. The discount rate used to measure the total pension liability was 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2020 valuation was updated from 3.50 percent to 2.21 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 2.21 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
University's proportionate share of the net pension liability	\$77,336,915	\$66,903,028	\$58,362,923

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

12. Retirement Plans – Defined Contribution Pension Plans

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

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

(Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2020-21 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, 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 roll over 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 \$6,279,116 for the fiscal year ended June 30, 2021.

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 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, 3.44 percent to cover the

unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.59 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$22,172,305, and employee contributions totaled \$12,363,807 for the 2020-21 fiscal year.

13. Construction Commitments

The University's major construction commitments at June 30, 2021, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Partnership IV and V	\$ 1,110,995	\$ 459,355	\$ 651,640
Millican Hall HVAC	1,847,031	1,274,769	572,262
Visual Arts	1,555,690	1,028,265	527,425
College of Science HVAC	1,390,355	1,218,554	171,801
Subtotal	5,904,071	3,980,943	1,923,128
Other Projects (1)	10,826,334	7,345,403	3,480,931
Total	\$ 16,730,405	\$ 11,326,346	\$ 5,404,059

(1) Individual projects with a current balance committed of less than \$1 million at June 30, 2021.

14. Operating Lease Commitments

The University leased buildings under operating leases, which expire in the 2054-55 fiscal year. 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:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 15,819,885
2023	16,400,349
2024	16,048,412
2025	11,015,169
2026	3,923,431
2027-2031	14,298,742
2032-2036	14,045,993
2037-2041	13,304,228
2042-2046	5,000,005
2047-2051	5,000,005
2052-2055	1,000,008
Total Minimum Payments Required	\$ 115,856,227

The University of Central Florida Foundation, Inc. (Foundation) receives rents and reimbursement for certain operating expenses from the University for various buildings owned by the Foundation and occupied by the University. The Foundation and University are also parties to a long-term 99-year ground lease for use of the land at Lake Nona for the Health Sciences Campus. Rents and reimbursements paid by the University for the year ended June 30, 2021, were \$14,541,281.

The University has also entered into rental agreements with the UCF Convocation Corporation for use of various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year ended June 30, 2021, totaled \$1,395,212.

The University has entered into a 40-year lease for the use of a research and development center, with base rent of \$1 per year, and is responsible for all operating and maintenance charges for the center. The University has entered into a 5-year management services agreement with another entity to manage and operate the center. The entity will be responsible for payment of all operating and maintenance costs with some allowable costs reimbursed by the University.

15. State Self-Insurance Program

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 2020-21 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 \$62.75 million for named windstorm and flood through February 14, 2021, and decreased to \$57.5 million starting February 15, 2021. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$162.25 million through February 14, 2021, and increased to \$167.5 million starting February 15, 2021; 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.

16. 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 Professions and Sciences (previously included in the College of Health and Public Affairs), and the Central Florida Clinical Practice Organization, Inc., faculty, staff and resident physicians. The Program provides legislative claims bill protection. The Program is distinct from and entirely independent of the self-insurance programs administered by the State described in Note 15.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Program also provides \$1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; \$250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; \$250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of \$200,000 for a claim arising from an occurrence for any one person, \$300,000 for all claims arising from an occurrence and professional liability required by a hospital or other healthcare facility for educational purposes not to exceed a per occurrence limit of \$1,000,000.

The Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Program during the 2019-20 and 2020-21 fiscal years are presented in the following table:

Fiscal Year	Claims Liability Beginning of Year	Current Claims and Changes in Estimates	Claim Payments	Claim Liabilities End of Year
2019-20	\$ 836,042	\$ 363,037	\$ (163,998)	\$ 1,035,081
2020-21	1,035,081	549,778	(181,485)	1,403,374

17. 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.

18. 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	\$ 430,771,607
Research	185,784,088
Public Services	20,703,152
Academic Support	106,352,640
Student Services	54,198,919
Institutional Support	105,683,018
Operation and Maintenance of Plant	67,003,249
Scholarships, Fellowships, and Waivers	179,298,295
Depreciation	79,487,077
Auxiliary Enterprises	90,726,969
Loan Operations	262,585
Total Operating Expenses	\$ 1,320,271,599

19. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are required to be accounted for separately. The following financial information for the University's Housing and Parking 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
Assets		
Current Assets	\$ 4,825,311	\$ 15,059,015
Capital Assets, Net	79,634,874	65,523,871
Other Noncurrent Assets	9,823,059	7,024,343
Total Assets	<u>94,283,244</u>	<u>87,607,229</u>
Liabilities		
Current Liabilities	6,589,173	2,413,674
Noncurrent Liabilities	68,610,361	12,814,169
Total Liabilities	<u>75,199,534</u>	<u>15,227,843</u>
Net Position		
Net Investment in Capital Assets	6,719,513	46,378,962
Restricted - Expendable	9,833,791	8,312,106
Unrestricted	2,530,406	17,688,318
Total Net Position	<u><u>\$ 19,083,710</u></u>	<u><u>\$ 72,379,386</u></u>

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

	Housing Capital Improvement Debt	Parking Capital Improvement Debt
Operating Revenues	\$ 22,464,150	\$ 18,540,822
Depreciation Expense	(4,831,688)	(3,271,215)
Other Operating Expenses	(15,304,270)	(10,698,194)
Operating Income	<u>2,328,192</u>	<u>4,571,413</u>
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	253,171	475,348
Interest Expense	(2,747,575)	(371,781)
Other Nonoperating Expense	-	59,468
Net Nonoperating Revenues (Expenses)	<u>(2,494,404)</u>	<u>163,035</u>
Other Revenues, Expenses, Gains and Losses	(3,497,238)	(1,352,551)
Increase (Decrease) in Net Position	<u>(3,663,450)</u>	<u>3,381,897</u>
Net Position, Beginning of Year	22,747,160	68,997,489
Net Position, End of Year	<u><u>\$ 19,083,710</u></u>	<u><u>\$ 72,379,386</u></u>

Condensed Statement of Cash Flows

	Housing Capital Improvement Debt	Parking Capital Improvement Debt
Net Cash Provided (Used) by:		
Operating Activities	\$ 7,062,777	\$ 6,958,920
Noncapital Financing Activities	(4,465,412)	(1,367,565)
Capital and Related Financing Activities	(9,078,417)	(4,001,724)
Investing Activities	3,796,161	(3,740,530)
Net Decrease in Cash and Cash Equivalents	(2,684,891)	(2,150,899)
Cash and Cash Equivalents, Beginning of Year	3,412,817	3,288,434
Cash and Cash Equivalents, End of Year	\$ 727,926	\$ 1,137,535

20. Blended Component Units

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

Condensed Statement of Net Position

	Blended Component Units					
	UCF Finance Corporation	University of Central Florida College of Medicine Self-Insurance Program	Total Blended Component Units	University	Eliminations	Total Primary Government
Assets:						
Other Current Assets	\$ 3,430,383	\$ 11,520,254	\$ 14,950,637	\$ 692,556,966	\$ -	\$ 707,507,603
Capital Assets, Net	-	-	-	1,275,970,232	-	1,275,970,232
Due From University / Blended CU	42,444,567	-	42,444,567	-	(42,444,567)	-
Other Noncurrent Assets	-	-	-	81,796,354	-	81,796,354
Total Assets	45,874,950	11,520,254	57,395,204	2,050,323,552	(42,444,567)	2,065,274,189
Deferred Outflows of Resources	10,894,258	-	10,894,258	296,317,556	-	307,211,814
Liabilities:						
Other Current Liabilities	3,363,118	1,389,667	4,752,785	130,881,685	-	135,634,470
Due To University / Blended CU	-	-	-	42,444,567	(42,444,567)	-
Noncurrent Liabilities	54,589,194	-	54,589,194	876,601,068	-	931,190,262
Total Liabilities	57,952,312	1,389,667	59,341,979	1,049,927,320	(42,444,567)	1,066,824,732
Deferred Inflows of Resources	-	-	-	177,165,892	-	177,165,892
Net Position:						
Net Investment in Capital Assets	-	-	-	1,149,372,195	-	1,149,372,195
Restricted - Expendable	(1,183,104)	10,130,587	8,947,483	129,737,463	-	138,684,946
Unrestricted	-	-	-	(159,561,762)	-	(159,561,762)
Total Net Position	\$ (1,183,104)	\$ 10,130,587	\$ 8,947,483	\$ 1,119,547,896	\$ -	\$ 1,128,495,379

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	\$ -	\$ 2,177,883	\$ 2,177,883	\$ 570,256,975	\$ (2,177,883)	\$ 570,256,975
Depreciation Expense	-	-	-	(79,487,077)	-	(79,487,077)
Other Operating Expenses	(12,912)	(1,112,170)	(1,125,082)	(1,239,659,828)	388	(1,240,784,522)
Operating Income (Loss)	(12,912)	1,065,713	1,052,801	(748,889,930)	(2,177,495)	(750,014,624)
Nonoperating Revenues (Expenses):						
Nonoperating Revenue	4,557,090	1,140,503	5,697,593	748,368,224	(1,981,722)	752,084,095
Interest Expense	(2,018,287)	-	(2,018,287)	(3,228,656)	-	(5,246,943)
Other Nonoperating Expense	-	-	-	(35,757,451)	4,159,217	(31,598,234)
Net Nonoperating Revenues	2,538,803	1,140,503	3,679,306	709,382,117	2,177,495	715,238,918
Other Revenues	-	-	-	10,957,143	-	10,957,143
Increase (Decrease) in Net Position	2,525,891	2,206,216	4,732,107	(28,550,670)	-	(23,818,563)
Net Position, Beginning of Year	(3,708,995)	7,924,371	4,215,376	1,148,098,566	-	1,152,313,942
Net Position, End of Year	\$ (1,183,104)	\$ 10,130,587	\$ 8,947,483	\$ 1,119,547,896	\$ -	\$ 1,128,495,379

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	\$ (12,914)	\$ 1,495,346	\$ 1,482,432	\$ (587,519,789)	\$ (2,177,883)	\$ (588,215,240)
Noncapital Financing Activities	-	-	-	685,840,509	6,182,360	692,022,869
Capital and Related Financing Activities	(9,303)	-	(9,303)	(59,056,583)	(4,004,477)	(63,070,363)
Investing Activities	53,786	(1,842,986)	(1,789,200)	(80,307,560)	-	(82,096,760)
Net Increase (Decrease) in Cash and Cash Equivalents	31,569	(347,640)	(316,071)	(41,043,423)	-	(41,359,494)
Cash and Cash Equivalents, Beginning of Year	3,328,814	1,495,078	4,823,892	60,522,895	-	65,346,787
Cash and Cash Equivalents, End of Year	\$ 3,360,383	\$ 1,147,438	\$ 4,507,821	\$ 19,479,472	\$ -	\$ 23,987,293

21. Discretely Presented Component Units

The University has seven 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				
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation
Assets:					
Current Assets	\$ 65,824,756	\$ 26,688,271	\$ 17,719,268	\$ 20,510,000	\$ 3,826,942
Capital Assets, Net	130,175,184	-	34,944,357	538,419	-
Other Noncurrent Assets	288,634,159	49,036	100,778	2,479,446	-
Total Assets	484,634,099	26,737,307	52,764,403	23,527,865	3,826,942
Deferred Outflows of Resources	-	-	-	3,681,851	561,359
Liabilities:					
Current Liabilities	7,785,712	16,227,427	12,646,180	12,742,021	4,819,239
Noncurrent Liabilities	65,124,218	-	20,001,684	150,686,316	37,736,438
Total Liabilities	72,909,930	16,227,427	32,647,864	163,428,337	42,555,677
Net Position:					
Net Investment in Capital Assets	60,928,184	-	22,571,135	538,419	-
Restricted Nonexpendable	147,386,322	-	-	-	-
Restricted Expendable	129,119,874	1,955,235	7,902,193	13,630,140	-
Unrestricted	74,289,789	8,554,645	(10,356,789)	(150,387,180)	(38,167,376)
Total Net Position	\$ 411,724,169	\$ 10,509,880	\$ 20,116,539	\$ (136,218,621)	\$ (38,167,376)

UCF Academic Health, Inc.	Total Direct-Support Organizations	Other	
		Central Florida Clinical Practice Organization, Inc.	Total
\$ 659,545	\$ 135,228,782	\$ 7,530,716	\$ 142,759,498
-	165,657,960	126,961	165,784,921
15,137,000	306,400,419	89,199	306,489,618
15,796,545	607,287,161	7,746,876	615,034,037
-	4,243,210	-	4,243,210
659,545	54,880,124	1,143,170	56,023,294
-	273,548,656	-	273,548,656
659,545	328,428,780	1,143,170	329,571,950
-	84,037,738	126,961	84,164,699
-	147,386,322	-	147,386,322
-	152,607,442	-	152,607,442
15,137,000	(100,929,911)	6,476,745	(94,453,166)
<u>\$ 15,137,000</u>	<u>\$ 283,101,591</u>	<u>\$ 6,603,706</u>	<u>\$ 289,705,297</u>

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

	Direct-Support Organizations				
	University of Central Florida Foundation, Inc.	University of Central Florida Research Foundation, Inc.	UCF Athletics Association, Inc.	UCF Convocation Corporation	UCF Stadium Corporation
Operating Revenues	\$ 128,619,734	\$ 16,217,788	\$ 62,168,655	\$ 21,846,251	\$ 1,735,086
Depreciation Expense	(2,961,282)	-	(1,489,944)	(194,464)	-
Operating Expenses	(50,377,558)	(15,168,500)	(54,221,515)	(8,880,689)	(1,174,035)
Operating Income	75,280,894	1,049,288	6,457,196	12,771,098	561,051
Net Nonoperating Revenues (Expenses):					
Nonoperating Revenues	11,032,633	802,640	(774,414)	157,006	2,270,775
Interest Expense	-	-	(431,276)	(6,177,543)	(1,578,748)
Other Nonoperating Expenses	(34,780)	-	-	(532,113)	-
Net Nonoperating Revenues (Expenses)	10,997,853	802,640	(1,205,690)	(6,552,650)	692,027
Other Revenues, Expenses, Gains, and Losses	3,236,453	-	2,114,538	-	-
Increase in Net Position	89,515,200	1,851,928	7,366,044	6,218,448	1,253,078
Net Position, Beginning of Year	322,208,969	8,657,952	12,750,495	(142,437,069)	(39,420,454)
Net Position, End of Year	\$ 411,724,169	\$ 10,509,880	\$ 20,116,539	\$ (136,218,621)	\$ (38,167,376)

UCF Academic Health, Inc.	Total Direct-Support Organizations	Other Central Florida Clinical Practice Organization, Inc.	
		Total	
\$ 1,039,627	\$ 231,627,141	\$ 8,047,470	\$ 239,674,611
-	(4,645,690)	(117,872)	(4,763,562)
(1,039,627)	(130,861,924)	(2,365,216)	(133,227,140)
-	96,119,527	5,564,382	101,683,909
-	13,488,640	121,315	13,609,955
-	(8,187,567)	-	(8,187,567)
-	(566,893)	(2,308,480)	(2,875,373)
-	4,734,180	(2,187,165)	2,547,015
-	5,350,991	-	5,350,991
-	106,204,698	3,377,217	109,581,915
15,137,000	176,896,893	3,226,489	180,123,382
<u>\$ 15,137,000</u>	<u>\$ 283,101,591</u>	<u>\$ 6,603,706</u>	<u>\$ 289,705,297</u>

The UCF Convocation Corporation and the UCF Stadium Corporation have a deficit net position of \$136,218,621 and \$38,167,376, respectively, as of June 30, 2021. These deficits are attributed to the transfer of buildings and building improvements to the University as a result of the August 2015, December 2015, and July 2018 debt refunding's which terminated the ground leases between the UCF Convocation Corporation and the University, and the UCF Stadium Corporation and the University. As the UCF Convocation Corporation and the UCF Stadium Corporation continue to reduce their outstanding long-term debt obligations, the deficit net position will decrease.

22. Subsequent Events

On August 12, 2021, the Florida Board of Governors issued \$42,815,000 of University of Central Florida's Capital Improvement Dormitory Revenue Refunding Bonds, Series 2021A, with a net premium of \$7,400,718. The bonds will mature on July 1, 2042, and carry coupons ranging from 2 percent to 5 percent. The University's portion of the refunding bonds, \$50,215,718 plus \$647,008 of sinking funds held by the State Board of Administration on behalf of the University Housing Facility, were used to defease \$49,445,000 of the outstanding Capital Improvement Dormitory Revenue Bonds, Series 2012A. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$11,431,951 over the next 20 years and obtained an economic gain of \$9,772,699.

On September 10, 2021, the University Board of Trustees voted to accept an invitation to join the Big 12 Conference and withdraw from the American Athletic Conference (AAC) by July 1, 2024. Withdrawal from the AAC requires a \$10 million payment (payable in four equal installments) over the 27-month withdrawal period and will be paid by the UCF Athletics Association (Association). This amount could change based on the timing of withdrawal from the conference. The AAC has the right to withhold any conference revenue distributions for any amounts owed at the time the distribution would be made. Additionally, admission to the Big 12 required a deposit of \$2.5 million which will be invested in money market, government securities, or other similar investment vehicles selected by the conference. The deposit and net earnings will be returned to the Association when UCF officially joins the conference. If UCF does not join, then the deposit and net earnings will be retained by the conference.

On September 10, 2021, the Association executed an increase in its line of credit with the UCF Foundation (Foundation) from \$4 million to \$10 million to provide short-term financial support arising from the conference transition. The term was also extended to September 10, 2024, and may be renewed for up to two additional 12-month periods.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

	2020	2019	2018	2017
University's proportion of the total other postemployment benefits liability	3.804765461%	3.159978606%	2.780000000%	2.780000000%
University's proportionate share of the total other postemployment benefits liability	\$ 391,512,085	\$ 399,997,974	\$ 293,333,000	\$ 300,512,000
University's covered-employee payroll	\$ 454,818,440	\$ 439,921,546	\$ 418,056,891	\$ 396,397,337
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	86.08%	90.92%	70.17%	75.81%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the FRS net pension liability	0.648369723%	0.654337567%	0.640568432%	0.596715076%
University's proportionate share of the FRS net pension liability	\$ 281,012,993	\$ 225,344,748	\$ 192,942,532	\$ 176,504,316
University's covered payroll (2)	\$ 454,818,440	\$ 439,921,546	\$ 418,056,891	\$ 396,397,337
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	61.79%	51.22%	46.15%	44.53%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	78.85%	82.61%	84.26%	83.89%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required FRS contribution	\$ 23,278,684	\$ 21,542,453	\$ 20,289,186	\$ 18,255,686
FRS contributions in relation to the contractually required contribution	<u>(23,278,684)</u>	<u>(21,542,453)</u>	<u>(20,289,186)</u>	<u>(18,255,686)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 445,408,636	\$ 454,818,440	\$ 439,921,546	\$ 418,056,891
FRS contributions as a percentage of covered payroll	5.23%	4.74%	4.61%	4.37%

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

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement plan 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.

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.559865856%	0.538161499%	0.484303900%	0.360374086%
\$ 141,366,568	\$ 69,510,775	\$ 29,549,660	\$ 62,036,419
\$ 364,535,289	\$ 333,695,268	\$ 305,107,256	\$ 289,894,138
38.78%	20.83%	9.69%	21.40%
84.88%	92.00%	96.09%	88.54%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 15,533,963	\$ 13,653,222	\$ 13,120,834	\$ 10,608,311
<u>(15,533,963)</u>	<u>(13,653,222)</u>	<u>(13,120,834)</u>	<u>(10,608,311)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 396,397,337	\$ 364,535,289	\$ 333,695,268	\$ 305,107,256
3.92%	3.75%	3.93%	3.48%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the HIS net pension liability	0.547943658%	0.538876355%	0.532468436%	0.529705387%
University's proportionate share of the HIS net pension liability	\$ 66,903,028	\$ 60,294,870	\$ 56,357,057	\$ 56,638,544
University's covered payroll (2)	\$ 187,973,508	\$ 167,822,905	\$ 167,400,707	\$ 166,665,368
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.59%	35.93%	33.67%	33.98%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.00%	2.63%	2.15%	1.64%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required HIS contribution	\$ 3,064,876	\$ 3,157,543	\$ 2,992,328	\$ 2,887,590
HIS contributions in relation to the contractually required HIS contribution	<u>(3,064,876)</u>	<u>(3,157,543)</u>	<u>(2,992,328)</u>	<u>(2,887,590)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 179,946,356	\$ 187,973,508	\$ 167,822,905	\$ 167,400,707
HIS contributions as a percentage of covered payroll	1.70%	1.68%	1.78%	1.72%

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

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

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.499690735%	0.469662225%	0.430757459%	0.415357381%
\$ 58,236,885	\$ 47,898,159	\$ 40,276,874	\$ 36,162,321
\$ 153,090,572	\$ 140,702,712	\$ 127,489,508	\$ 122,964,996
38.04%	34.04%	31.59%	29.41%
0.97%	0.50%	0.99%	1.78%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 2,803,354	\$ 2,561,234	\$ 1,795,341	\$ 1,475,630
<u>(2,803,354)</u>	<u>(2,561,234)</u>	<u>(1,795,341)</u>	<u>(1,475,630)</u>
\$ -	\$ -	\$ -	\$ -
\$ 166,665,368	\$ 153,090,572	\$ 140,702,712	\$ 127,489,508
1.68%	1.67%	1.28%	1.16%

1. Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

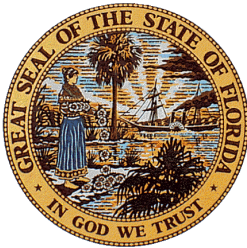
Changes of Assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the census data, a change to the discount rate, an update to the mortality rates, the excise tax that did not come into effect in 2022, the use of actual claims information, an update in the trend rate, and a change to participant PPO versus HMO selection rate. Refer to Note 10. to the financial statements for further detail.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 6.90 percent to 6.80 percent.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.50 percent to 2.21 percent, and the active member mortality assumption was updated.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT ON 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, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 14, 2022, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 14, 2022