

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2019

Financial Audit

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2018-19 fiscal year, Dr. Judy L. Genshaft served as President of the University of South Florida and the following individuals served as Members of the Board of Trustees:

Jordan B. Zimmerman, Chair from 4-1-19, Vice Chair through 3-31-19	Oscar J. Horton Moneer Kheireddine through 5-5-19 ^b
Leslie M. Muma, Vice Chair from 4-1-19	Dr. Deanna Michael ^c
Brian D. Lamb, Chair through 3-31-19 ^a	Harold W. Mullis Jr.
Michael Carrere	John B. Ramil
Britney Deas from 5-6-19 ^b	Byron E. Shinn
Stephanie E. Goforth	Charles Tokarz
Michael E. Griffin from 6-13-19	Nancy H. Watkins

^a Trustee resigned 3-31-19, and Trustee position vacant through 6-12-19.

^b Student Body President.

^c System Faculty Council President (equivalent to Faculty Senate Chair referred to in Section 1001.71(1), Florida Statutes).

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 Janet Case, CPA, and the audit was supervised by Rachel P. Sellers, 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.

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UNIVERSITY OF SOUTH FLORIDA
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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the University of South 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 South 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, 2019. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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

AUDITOR GENERAL STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Ives (11/1/2019) / Ives (11/1/2019) (IS313u0027

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 South Florida and of its aggregate discretely presented component units as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2. and 3. to the financial statements, the University's discretely presented component units changed their financial accounting framework from that prescribed by the Financial Accounting Standards Board to the framework prescribed by the Governmental Accounting Standards Board. This affects the comparability of amounts reported for the 2018-19 fiscal year with amounts reported for the 2017-18 fiscal year. Our opinion is not modified with respect to this matter.

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**

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, 2019, 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, 2019, and June 30, 2018.

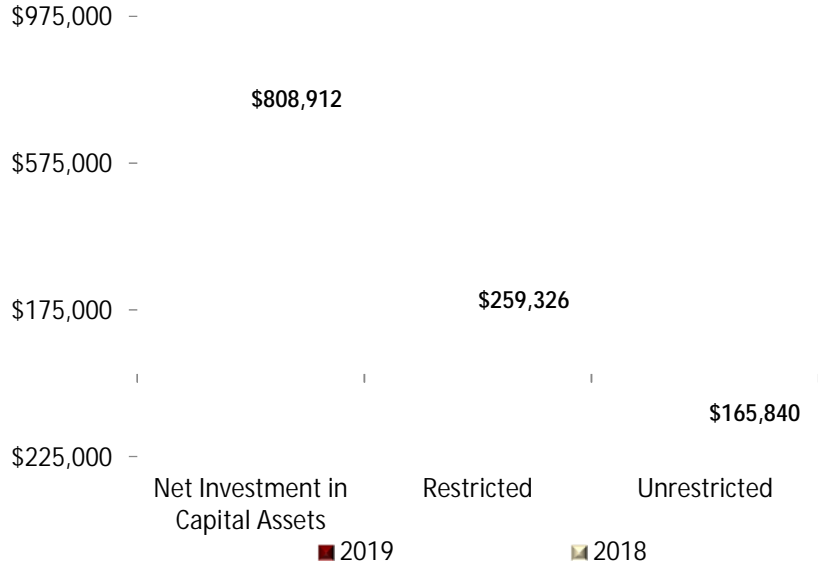
FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled \$2.4 billion at June 30, 2019. This balance reflects a \$302.7 million, or 14.4 percent, increase as compared to the 2017-18 fiscal year, resulting from increases in capital assets and investments. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by \$290.5 million, or 24.1 percent, totaling \$1.5 billion at June 30, 2019, as compared to \$1.2 billion at June 30, 2018, resulting from increases in capital leases payable, revenue received in advance, and net pension liabilities as well as deferred service concession arrangement receipts, other postemployment benefits (OPEB), and pension-related deferred inflows. As a result, the University's net position increased by \$12.2 million, resulting in a year-end balance of \$914.6 million.

The University's operating revenues totaled \$849.2 million for the 2018-19 fiscal year, representing a 2.6 percent decrease compared to the 2017-18 fiscal year due mainly to decreases in nongovernmental grants and contracts. Operating expenses totaled \$1.5 billion for the 2018-19 fiscal year, representing an increase of 4.2 percent as compared to the 2017-18 fiscal year due mainly to increases in compensation and employee benefits and depreciation.

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, 2019, and June 30, 2018, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2018-19 fiscal year:

**Total Revenues
2018-19 Fiscal Year**



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to 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:

- y Blended Component Unit:
 - o University of South Florida Health Sciences Center Self-Insurance Program
- y Discretely Presented Component Units:
 - o University of South Florida Foundation, Inc.
 - o University of South Florida Alumni Association, Inc.
 - o USF Health Professions Conferencing Corporation
 - o University of South Florida Institute of Applied Engineering, Inc.
 - o University of South Florida Medical Services Support Corporation
 - o Sun Dome, Inc.
 - o University of South Florida Research Foundation, Inc.
 - o USF Financing Corporation
 - o USF Property Corporation
 - o University Medical Service Association, 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. With the exception of the University of South Florida Health Sciences Center Insurance Company (HSCIC) component of the University of South Florida Health Sciences Center Self-Insurance Program, all of the component units now report under GASB standards as described in Note 2., and 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)

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	\$ 870,392	\$ 910,622
Capital Assets, Net	1,281,734	957,407
Other Noncurrent Assets	84,370	72,899
Total Assets	<u>2,236,496</u>	<u>1,940,928</u>
Deferred Outflows of Resources	<u>175,113</u>	<u>167,934</u>
Liabilities		
Current Liabilities	144,037	201,298
Noncurrent Liabilities	1,120,102	873,579
Total Liabilities	<u>1,264,139</u>	<u>1,074,877</u>
Deferred Inflows of Resources	<u>232,844</u>	<u>131,587</u>
Net Position		
Net Investment in Capital Assets	922,846	808,912
Restricted	203,497	259,326
Unrestricted	(211,717)	(165,840)
Total Net Position	<u>\$ 914,626</u>	<u>\$ 902,398</u>

Current assets for the University decreased \$40.2 million between the two fiscal years due to a \$56.4 million decrease in due from State as a result of receiving funds for the USF Morsani College of Medicine and USF Health Heart Institute.

Net capital assets increased a total of \$324.3 million between the two fiscal years due mainly to increases in property under capital lease and leasehold improvements, buildings, and construction in progress. Net property under capital lease and leasehold improvements increased \$162.9 million as a result of a change in the accounting relationship between the University and the USF Financing Corporation (USFFC) brought about by USFFC's conversion from Financial Accounting Standards Board (FASB) to GASB accounting standards discussed in Notes 2. and 3. Net buildings increased \$56.4 million primarily

primarily due to the change in the accounting relationship with USFFC, an increase in the

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 2018-19 and 2017-18 fiscal years:

Operating Revenues For the Fiscal Years		
(In Thousands)		
	2018-19	2017-18
Student Tuition and Fees, Net	268,893	

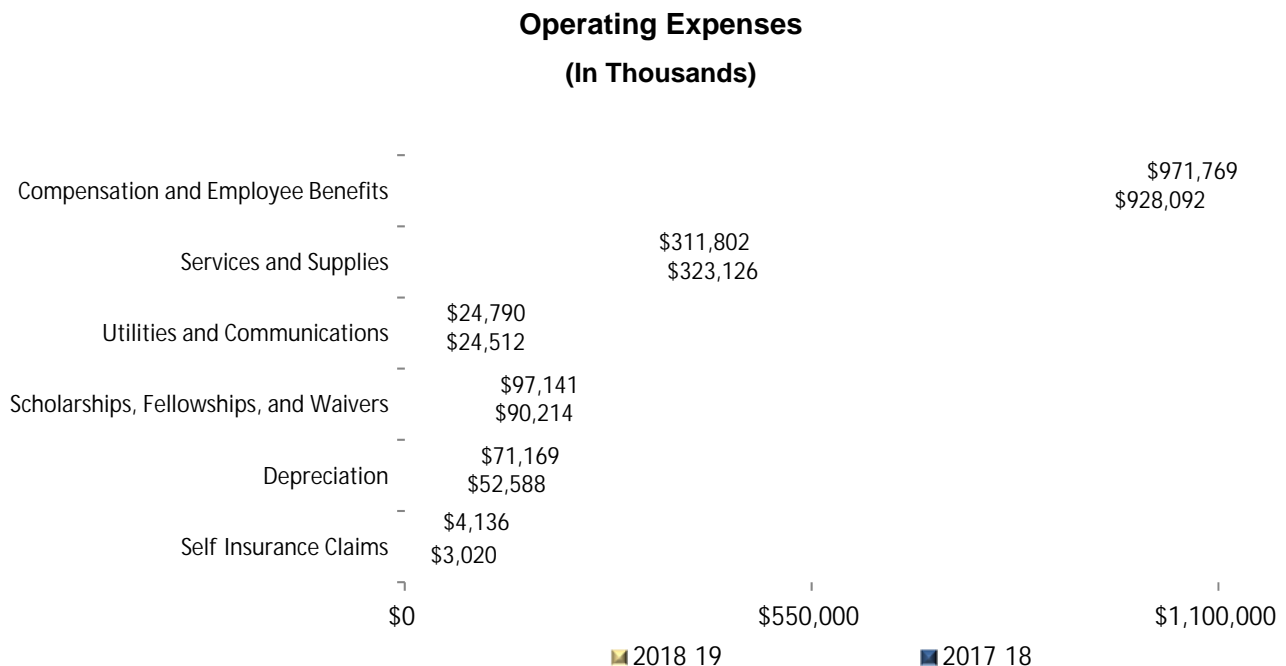
Operating Expenses

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 2018-19 and 2017-18 fiscal years:

Operating Expenses For the Fiscal Years		
(In Thousands)		
	2018-19	2017-18
Compensation and Employee Benefits	\$ 971,769	\$ 928,092
Services and Supplies	311,802	323,126
Utilities and Communications	24,790	24,512
Scholarships, Fellowships, and Waivers	97,141	90,214
Depreciation	71,169	52,588
Self-Insurance Claims	4,136	3,020
Total Operating Expenses	\$ 1,480,807	\$ 1,421,552

The following chart presents the University’s operating expenses for the 2018-19 and 2017-18 fiscal years:



Total operating expenses increased by \$59.3 million, or 4.2 percent, resulting primarily from a \$43.7 million increase in compensation and employee benefits and an \$18.6 million increase in

depreciation. The increase in compensation and

**Other Revenues
For the Fiscal Years
(In Thousands)**

	2018-19	2017-18
State Capital Appropriations	\$ 19,880	\$ 27,971
Capital Grants, Contracts, Donations, and Fees	16,460	10,938
Total	\$ 36,340	\$ 38,909

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 2018-19 and 2017-18 fiscal years:

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

	2018-19	2017-18
Cash Provided (Used) by:		
Operating Activities	\$ (497,176)	\$ (435,024)
Noncapital Financing Activities	562,385	535,095
Capital and Related Financing Activities	(87,232)	(58,753)
Investing Activities	3,293	(43,047)
Net Decrease in Cash and Cash Equivalents	(18,730)	(1,729)
Cash and Cash Equivalents, Beginning of Year	70,359	72,088
Cash and Cash Equivalents, End of Year	\$ 51,629	\$ 70,359

Major sources of funds came from State noncapital appropriations (\$426.6 million), grants and contracts (\$420 million), net student tuition and fees (\$271.2 million), Federal Direct Student Loan receipts (\$226.1 million), and sales and services of auxiliary enterprises (\$170.5 million). Major uses of funds were for payments made to and on behalf of employees totaling \$923.5 million; payments to suppliers totaling \$349.9 million; disbursements to students for Federal Direct Student Loans totaling \$226.1 million; payments for the purchase or construction of capital assets totaling \$160.4 million.

Cash used by operating activities increased by \$62.2 million, largely due to an increase in payments made to and on behalf of employees. Cash provided by noncapital financing activities increased by \$27.3 million as a result of a decrease in cash used by other nonoperating disbursements. Cash used

by capital and related financing activities increased \$28.5 million primarily due to a \$22.2 million increase in principal and interest paid on capital debt and leases. The increase in principal and interest paid is related to the decrease in other nonoperating disbursements. Transfers to USFFC previously recorded as other nonoperating expenses were reclassified to capital lease payments as a result of USFFC's conversion from FASB to GASB. Cash provided by investing activities increased by \$46.3 million due to an increase in proceeds from sales and maturities of investments and investment income.

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

Capital Assets

At June 30, 2019, the University had \$2.1 billion in capital assets, less accumulated depreciation of \$827.1 million, for net capital assets of \$1.3 billion. Depreciation charges for the current fiscal year totaled \$71.2 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)

	2019	2018
Land	\$ 23,649	\$ 23,649
Construction in Progress	164,504	72,438
Buildings	804,681	748,316
Infrastructure and Other Improvements	29,348	29,787
Furniture and Equipment	73,849	62,471
Library Resources	17,992	15,762
Property Under Capital Lease and Leasehold Improvements	163,512	568
Works of Art and Historical Treasures	1,323	1,341
Other Capital Assets	2,876	3,075
Capital Assets, Net	\$1,281,734	\$957,407

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

Capital Expenses and Commitments

The University's construction commitments at June 30, 2019, are as follows:

	Amount (In Thousands)
Total Committed	\$ 287,489
Completed to Date	(164,504)
Balance Committed	\$ 122,985

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

Debt Administration

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BASIC FINANCIAL STATEMENTS

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

June 30, 2019

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 50,651,401	\$ 20,546,133
Investments	703,311,064	158,994,224
Accounts Receivable, Net	67,282,190	69,886,173
Loans and Notes Receivable, Net	2,056,770	37,500
Due from State	29,346,530	-
Due from University	-	4,026,930
Due from Component Units	16,571,549	-
Inventories	269,386	1,875,626
Other Current Assets	903,033	17,191,571
Total Current Assets	870,391,923	272,558,157
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	978,039	2,617,497
Restricted Investments	72,918,849	601,814,516
Loans and Notes Receivable, Net	2,461,135	107,500
Depreciable Capital Assets, Net	1,091,113,304	110,305,055
Nondepreciable Capital Assets	190,620,344	25,554,711
Other Noncurrent Assets	8,012,595	306,147,548
Total Noncurrent Assets	1,366,104,266	1,046,546,827
Total Assets	2,236,496,189	1,319,104,984
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	9,867,000	-
Pensions	165,245,728	-
Interest Rate Swap Agreement	-	12,937,303
Deferred Loss on Debt Refunding	-	1,098,808
Total Deferred Outflows of Resources	175,112,728	14,036,111
LIABILITIES		
Current Liabilities:		
Accounts Payable	22,545,736	32,231,479
Construction Contracts Payable	13,938,944	-
Salary and Wages Payable	38,407,836	11,877,987
Deposits Payable	4,531,968	7,012
Due to University	-	16,571,549
Due to Component Units	4,026,930	-
Unearned Revenue	31,424,740	3,679,380
Other Current Liabilities	-	302,941
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	5,439,216
Certificates of Participation Payable	-	9,145,000
Capital Improvement Debt Payable	2,598,479	-
Loans and Notes Payable	-	603,772
Installment Purchases Payable	113,888	-
Capital Leases Payable	10,059,528	4,017,810
Estimated Insurance Claims Payable	1,400,487	-
Compensated Absences Payable	6,629,745	-
Dining Facility Fee Payable	22,117	-
Other Postemployment Benefits Payable	6,279,000	-
Net Pension Liability	2,057,588	-
Total Current Liabilities	144,036,986	83,876,146

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	91,423,161
Certificates of Participation Payable	-	253,565,700

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

For the Fiscal Year Ended June 30, 2019

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 271,191,896
Grants and Contracts	420,047,609
Sales and Services of Auxiliary Enterprises	170,525,069
Interest on Loans Receivable	197,967
Payments to Employees	(923,493,539)
Payments to Suppliers for Goods and Services	(349,943,226)
Payments to Students for Scholarships and Fellowships	(97,140,544)
Payments on Self-Insurance Claims	(2,463,920)
Loans Issued to Students	(409,728)
Collection on Loans to Students	997,019
Other Operating Receipts	13,315,213
Net Cash Used by Operating Activities	(497,176,184)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	426,590,843
Federal and State Student Financial Aid	147,473,848
Noncapital Grants, Contracts and Donations	25,030,113
Federal Direct Loan Program Receipts	226,112,604
Federal Direct Loan Program Disbursements	(226,112,604)
Operating Subsidies and Transfers	(7,262,190)

	<u>University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (631,594,571)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	71,168,998
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	4,038,563
Loans and Notes Receivable, Net	586,891
Inventories	(735)
Other Assets	501,070
Accounts Payable	(13,709,143)
Salaries and Wages Payable	3,127,728
Deposits Payable	(18,187)
Compensated Absences Payable	2,917,338
Unearned Revenue	21,847,136
Estimated Insurance Claims Payable	1,672,622
Other Postemployment Benefits Payable	(10,615,000)
Deferred Outflows of Resources Related to Other Postemployment Benefits	1,625,000
Deferred Inflows of Resources Related to Other Postemployment Benefits	24,643,000
Net Pension Liability	20,822,508
Deferred Outflows of Resources Related to Pensions	(8,803,691)
Deferred Inflows of Resources Related to Pensions	14,614,289
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (497,176,184)</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND
CAPITAL FINANCING ACTIVITIES**

Unrealized losses on investments were recognized as a decrease 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.	\$ (982,628)
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.	\$ (391,589)
Donation 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.	\$ 180,885

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.

excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- y The University of South Florida Foundation, Inc. accepts, invests, administers, and distributes private gifts given for the funding of activities and facilities directly related to the mission, role, and scope of the University of South Florida.
- y The University of South Florida Alumni Association, Inc. fosters the spirit of loyalty and fraternity among the graduates, former students, and friends of the University, and promotes their continued active interest in and on behalf of the University.
- y The Sun Dome, Inc. operates a multi-purpose facility on behalf of the University of South Florida to provide the students, faculty, and staff of the University, as well as the general yaalfaceoilfaceoc8ray.001

approved the transition of MSSC's operations to UMSA over the course of the 2015-16 fiscal year. MSSC continues to be a direct-support organization of the University but has no operations.

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:

- y Management's Discussion and Analysis
- y Basic Financial Statements:
 - o Statement of Net Position
 - o Statement of Revenues, Expenses, and Changes in Net Position
 - o Statement of Cash Flows
 - o Notes to Financial Statements
- y 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 blended and discretely presented component units use the economic resources measurement focus and the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. As a result of the legislative changes discussed in Note 2., all of the University's discretely presented component units now follow GASB standards of accounting and financial reporting. The University of South Florida Health Sciences Center Insurance Company (HSCIC) component of the University of South Florida Health Sciences Center Self-Insurance Program follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

- y Property Under Capital Lease and Leasehold Improvements – 10 to 40 years
- y Other Capital Assets – 3 to 20 years
- y Works of Art and Historical Treasures – 5 years

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, installment purchases payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advances payable, other postemployment benefits payable, dining facility fee payable, revenue received in advance, and net pension 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

of June 30, 2018, to a \$738,181 due from USFFC as of July 1, 2018. The University recorded a capital lease payable in the amount of \$233,266,032 and recognized \$221,191,515 of property under capital lease and leasehold improvements with related accumulated depreciation of \$48,638,358.

4. 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	\$ (318,458,812)
Auxiliary Funds	<u>106,741,436</u>
Total	<u>\$ (211,717,376)</u>

As shown in the following schedule, this deficit can be attributed to the recognition of long-term liabilities (i.e., OPEB payable, and net pension liabilities) in the current unrestricted funds that are expected to be paid over time and financed by future appropriations:

<u>Description</u>	<u>University</u>
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources	\$ 493,924,082
Amount Expected to be Financed in Future Years:	
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources (513,664,000)	(513,664,000)
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources (191,977,458)	<u>(191,977,458)</u>
Total Amount Expected to be Financed in Future Years	<u>(705,641,458)</u>
Total Unrestricted Net Position	<u>\$ (211,717,376)</u>

5. 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

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.

The University's recurring fair value measurements as of June 30, 2019, are valued using following valuation techniques and inputs:

United States Treasury Securities and Bonds and Notes: These securities are valued daily by a pricing service that uses evaluated pricing applications which incorporate available market information. Available information is also applied through benchmarking processes, sector groupings, and matrix pricing (Level 2 inputs).

Stocks and Other Equity Securities: This type includes domestic and international equities valued at quoted prices in an active market (Level 1 inputs).

Equity Mutual Funds: This category includes investments on domestic and international equities through commingled fund structures. The investment objective of these funds is to track the performance of their respective benchmarks. Investments in this category are valued at quoted prices in an active market (Level 1 inputs).

Bond Mutual Funds: This category includes investments in fixed income securities through commingled fund structures. The investment objective of these funds is to track the performance of their respective market-weighted indices with a short-term dollar-weighted average maturity. Investments in this category are valued at quoted prices in an active market (Level 1 inputs).

Money Market Mutual Funds: This category includes investments in high-quality money market instruments through commingled fund structures. The investment objective of these funds is to maximize

		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	Amount			
SBA Debt Service Accounts	\$ 5,507	\$ 5,507	\$ -	\$ -
United States Treasury Securities	17,361,120	-	17,361,120	-
Bonds and Notes	21,363,141	-	21,363,141	-
Stocks and Other Equity Securities	17,955,891	17,955,891	-	-
Mutual Funds:				
Equities	151,007,766	151,007,766	-	-
Bonds	471,519,051	471,519,051	-	-
Money Market	97,017,437	97,017,437	-	-
Total investments by fair value level	\$ 776,229,913	\$ 737,505,652	\$ 38,724,261	\$ -
Total investments	\$ 776,229,913			

State Board of Administration Debt Service Accounts.

The component units' recurring fair value measurement as of June 30, 2019, are valued using the following valuation techniques and inputs:

Investments by fair value level	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 5,596,321	\$ 5,596,321	\$ -	\$ -
Bonds and Notes	1,366,603	-	1,366,603	-
	894,078	894,078	-	-
	400,001	-	-	400,001
Mutual Funds:				
Equities	144,443,710	144,443,710	-	-
Bonds	85,586,338	85,586,338	-	-

University Debt Investment Maturity and Quality Ratings

Investment Type	Weighted Average Maturities	Credit Quality Rating		Fair Value
		Moody's	Standard and Poor's	
United States Treasury Securities (2)	3.67 Years	(1)	(1)	\$ 17,361,120
Bonds and Notes (2)	3.49 Years	Aaa - A3	AAA - A-	21,363,141
Bond Mutual Funds (3)	2.96 Years	Not Rated	Not Rated	471,519,051
Money Market Mutual Funds (2)	16 Days	Aaa-mf	AAAm	2,181,583
Money Market Mutual Funds (3)	18 Days	Aaa-mf	AAAm	94,835,854
Total				\$ 607,260,749

(1) Disclosure of credit risk is not required for this investment type.

(2) USF Health Sciences Center Self-Insurance Program.

(3) University.

Discretely Presented Component Units Investment Maturity

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Bonds and Notes	\$ 1,366,603	\$ 26,666	\$ 292,691	\$ 289,459	\$ 757,787
Partnership Fixed Income	34,837,117	7,229,904	27,607,213	-	-
Mutual Funds:					
Bonds	183,232,548	33,084,130	150,144,223	4,195	-
Money Market	84,009,315	84,009,315	-	-	-
Total	\$303,445,583	\$124,350,015	\$178,044,127	\$ 293,654	\$ 757,787

Discretely Presented Component Units Quality Ratings (1)

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Bonds and Notes	\$ 1,366,603	\$ 264,786	\$ 70,519	\$ 320,835	\$ 710,463
Partnership Fixed Income	34,837,117	1,878,521	1,951,502	2,223,225	28,783,869
Mutual Funds:					
Bonds	183,232,548	8,786,364	9,386,233	11,986,990	153,072,961
Money Market	84,009,315	62,951,305	-	-	21,058,010
Total	\$ 303,445,583	\$ 73,880,976	\$ 11,408,254	\$ 14,531,050	\$ 203,625,303

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University, USF Health Sciences Center Self-Insurance Program, and discretely component unit investment policies provide that the maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the United States Government shall not exceed five percent of the market value of the assets of the investment portfolio, and no single corporate bond issuer shall exceed five percent of the market value of the investment portfolio. Direct investments in securities of the United States Government, Government agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of United States Government Securities are not subject to these restrictions for the University and its discretely presented component units. The University did not have any investments in securities of an individual issuer or single corporate bond issue that exceeded five percent of the market value of the investment portfolio at June 30, 2019.

6. Receivables

Accounts Receivable. Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2019, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 45,939,094
Student Tuition and Fees	7,075,536
USF Health Sciences Center Self-Insurance	6,856,380
Other	7,411,180
Total Accounts Receivable	\$ 67,282,190

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 \$9,842,028 and \$2,409,422, respectively, at June 30, 2019.

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

7. Due From State

The amount due from State consists of \$7,587,405 of Public Education Capital Outlay, \$18,707,445 from Capital Improvement Fee Trust Fund, and \$3,051,680 from General Revenue allocations due from the State to the University for construction of University facilities.

8. Due From and To Component Units/University

The \$16,571,549 reported as due from component units consists of amounts owed to the University by the University of South Florida Research Foundation, Inc. (\$8,877,824) for grant and special project-related revenue and administrative overhead rebate; from Sun Dome, Inc. (\$308,001) for operating expenses and merchandise sales revenue; from USFFC for interest rate swap collateral (\$2,779,127); from the USF Health Professions Conferencing Corporation (\$245,209) for program residuals; from the University of South Florida Alumni Association (\$10,492) for payroll expenses; and from the UMSA (\$4,350,896) for deposits made to support the funding of salaries and other operating

Description	Beginning Balance (1)	Adjustments (2)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 23,648,989	\$ -	\$ -	\$ -	\$ 23,648,989
Works of Art and Historical Treasures	1,293,157	-	-	-	1,293,157
Other Capital Assets	1,173,750	-	-	-	

unanimously by an advisory committee which includes two members designated by the University. The University reports cash in the amount of \$959,561, construction in progress in the amount of \$2,315,439, housing facilities with a carrying amount of \$117,059,741, a dining facility fee liability in the amount of \$4,705,288, and deferred inflows of resources in the amount of \$116,510,763 at year-end pursuant to the service concession arrangement.

11. Unearned Revenue

Unearned revenue at June 30, 2019, includes Alec P. Courtelis Matching Trust fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2019, to spend the funds, amounts received from contracts and grants, and auxiliary prepayments received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2019, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 27,399,082
Capital Appropriations	334,685
Auxiliary Prepayments	<u>3,690,973</u>
Total Unearned Revenue	<u>\$ 31,424,740</u>

12. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2019, include capital improvement debt payable, installment purchases payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advances payable, dining facility fee payable, revenue received in advance, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning	Ending	Current
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Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rate (Percent)	Maturity Date To
Capital Improvement Debt: 2016A Parking	\$ 21,545,000	\$ 14,934,354	2.2	2026
Total Capital Improvement Debt	\$ 21,545,000	\$ 14,934,354		

(1) Amount outstanding includes unamortized deferred loss on refunding.

The University has pledged a portion of future traffic and parking fees, and various student fee assessments to repay \$14,934,354 in capital improvement (parking) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages. The bonds are payable solely from traffic and parking fees, and transportation access fees and are payable through 2026. The University has committed to appropriate each year from the traffic and parking fees, and transportation access fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$16,156,470 and principal and interest paid for the current year totaled \$2,936,430. During the 2018-19 fiscal year, traffic and parking fees, and transportation access fees totaled \$11,188,456 and \$3,203,573, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 2,610,000	\$ 330,330	\$ 2,940,330
2021	2,665,000	272,910	2,937,910
2022	2,715,000	214,280	2,929,280
2023	2,780,000	154,550	2,934,550
2024	1,950,000	93,390	2,043,390
2025-2026	2,295,000	76,010	2,371,010
Subtotal	15,015,000	1,141,470	16,156,470
Deferred Loss on Refunding	(80,646)	-	(80,646)
Total	\$ 14,934,354	\$ 1,141,470	\$ 16,075,824

Installment Purchases Payable. The University has entered into several installment purchase agreements for the purchase of equipment reported at \$549,519. The stated interest rates ranged from 2.7 percent to 3.2 percent. The University pledged turf equipment as collateral for the installment purchases. The installment purchases contain a provision that, in an event of default, outstanding amounts become immediately due. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 119,194
2021	39,157
2022	39,158
Total Minimum Payments	197,509
Less, Amount Representing Interest	8,260
Present Value of Minimum Payments	<u>\$ 189,249</u>

Capital Leases Payable. The University has entered into capital lease agreements for equipment in the amount of \$677,538. The stated interest rates range from 5.8 percent to 7.3 percent. In addition, as a result of the accounting changes resulting from USF Financing Corporation's conversion from FASB to GASB accounting standards discussed in Notes 2. and 3., the University recorded capital leases payable to USF Financing Corporation for debt used to finance the construction of various buildings, building improvements, and infrastructure.

The underlying debt of the capital leases payable to USF Financing Corporation as of June 30, 2019, is as follows:

	Amount of Original Debt	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Bonds:				
Series 2015 Marshall Center	\$31,595,000	\$ 27,670,000	3.65-5.00	2036
Notes:				

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 20,390,518
2021	20,504,293
2022	20,467,812
2023	20,416,434
2024	19,655,075
2025-2029	98,955,949
2030-2034	90,968,078
2035-2039	32,018,941
2040	<u>1,144,000</u>
Total Minimum Payments	324,521,100
Less, Amount Representing Interest	<u>100,153,212</u>
Present Value of Minimum Payments	<u><u>\$ 224,367,888</u></u>

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, 2019, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$88,436,972. The current portion of the compensated absences liability, \$6,629,745, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Federal Advance Payable. This represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkinso bepfWdo not permit thloye

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 300,000
2021	300,000
2022	300,000
2023	300,000
2024	300,000
2025-2029	1,500,000
2030-2034	1,500,000
2035-2039	1,500,000
2040-2044	1,500,000
2045-2049	1,500,000
2050-2054	1,500,000
2055-2059	1,500,000
2060-2064	1,500,000
Total Minimum Payments	13,500,000
Less, Amount Representing Interest	8,794,712
Present Value of Minimum Payments	<u>\$ 4,705,288</u>

Revenue Received in Advance. Revenue received in advance is rent received in advance from Tampa General Hospital for the lease of space in USF Health facilities currently under construction. The initial lease term is 25 years and does not commence until 180 days after the delivery date when the construction of the space is substantially complete. Total revenue received in advance at June 30, 2019 was \$20,000,000, with none expected to be earned during the 2019-20 fiscal year.

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 employmen

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 \$435,779,000 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. At June 30, 2018, the University’s proportionate share, determined by its proportion of total benefit payments made, was 4.13 percent, which was the same proportionate share measured as of June 30, 2017.

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	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.87 percent
Healthcare cost trend rates	7.8 percent for Preferred Provider Organizations (PPO) and 5.2 percent for Health Maintenance Organization (HMO) for fiscal years 2017 to 2018, decreasing to an ultimate rate of 3.8 percent for fiscal year 2075 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 Bond Buyer General Obligation 20-year Municipal Bond Index.

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

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

The following change has been made since the prior valuation:

- y The discount rate as of the measurement date for GASB 75 purposes was changed to 3.87 percent. The prior GASB 75 report used 3.58 percent. The GASB 75 discount rate is based on the 20-year municipal bond rate as of the June 28, 2018.

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

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
University's proportionate share of the total OPEB liability	\$530,021,000	\$435,779,000	\$362,408,000

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	\$352,505,000	\$435,779,000	\$547,546,000

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

For the fiscal year ended June 30, 2019, the University recognized OPEB expense of \$22,095,000. At June 30, 2019, 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>
Change of assumptions or other inputs	\$ -	\$ 87,752,000
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	3,425,000	-
Transactions subsequent to the measurement date	6,442,000	-
Total	<u>\$ 9,867,000</u>	<u>\$ 87,752,000</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$6,442,000 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, 2020. 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>
2020	\$(13,233,000)
2021	(13,233,000)
2022	(13,233,000)
2023	(13,233,000)
2024	(13,233,000)
Thereafter	(18,162,000)
Total	<u>\$(84,327,000)</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, 2019, the University's proportionate share of the net pension liabilities totaled \$328,642,228. Note 14. includes a complete discussion of defined benefit pension plans.

13. Long-Term Debt – USF Financing Corporation – Component Unit

Long-term liabilities of the USF Financing Corporation at June 30, 2019 include mortgage loan payable, notes payable, bonds payable, and certificates of participation payable. Long term liabilities activity for the year ended June 30, 2019 was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Bonds Payable	\$ 29,690,000	\$ -	\$ 990,000	\$ 28,700,000	\$ 1,030,000
Certificates of Participation Payable	110,690,000	45,650,000	18,725,000	137,615,000	3,830,000
Direct Borrowings and Placements:					

rate and is callable at the option of the USF Financing Corporation on any scheduled payment date at a rate calculated pursuant to the requirements of the loan agreement.

The Series 2013 Arena Note is a direct borrowing from the bank. The Note is not secured by any assets

For the Series 2018 CAMLS Note, the USF Financing Corporation has entered into a Ground Lease Agreement, dated as of December 15, 2010, and amended as of June 12, 2015, and March 9, 2018, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the CAMLS facility is located. The University acquired land in the central business district of downtown Tampa, Florida. The USF Financing Corporation subleased the CAMLS facility to USF Health Professions Conferencing Corporation (HPCC), a direct-support organization of the University, pursuant to a facility lease agreement, until 2051, unless sooner terminated. USF HPCC makes rental payments to the USF Financing Corporation in an amount equal to 100 percent of principal and interest due on the Note, together with all other amounts due on the Note. The rental payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

Notes Payable – Schedule of Payments.

The following is a schedule of future payments payable under the mortgage loan agreement, as of June 30, 2019:

<u>Fiscal Year Ending June 30</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 2,664,217	\$ 1,898,212
2021	2,823,556	1,791,117
2022	3,001,215	1,679,723
2023	3,182,760	1,561,692
2024	3,378,795	1,438,234
2025-2029	20,259,459	5,030,719
2030-2032	13,280,025	1,106,968
Total minimum payments	\$48,590,027	\$14,506,665

Bonds Payable.

The USF Financing Corporation had bonds outstanding at June 30, 2019 as follows:

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>	<u>Percent of Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Series 2015 Marshall Center	\$ 31,595,000	\$ 28,700,000	3.65-5.00	2015	2036
Total	\$ 31,595,000	\$ 28,700,000			

Series 2015 Marshall Center Revenue Bonds. The Series 2015 tax-exempt, fixed rate Marshall Center Capital Improvement Refunding Revenue Bonds were issued on May 6, 2015, to refund the Series 2005C Certificates of Participation, in advance of the first optional prepayment date of the Series 2005C Certificates on July 1, 2015. The Series 2005C Certificates were originally issued to finance the cost to lease purchase a new student center. The Bonds were issued at tax-exempt fixed interest rates ranging from 2 to 5 percent. The Bonds mature in 2036 and, beginning on July 1, 2025, are callable at the option of the USF Financing Corporation at 100 percent of the principal amount outstanding. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$418,352. This difference reported in the USF Financing

Corporation's financial statements as a deferred outflow of resources is being charged to operations through the year 2036 using the straight-line method. At June 30, 2019 the unamortized balance of the deferred outflow of resources was \$242,246. The USF Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 21 years by \$4.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.3 million.

The Series 2015 Bonds were issued pursuant to the terms of a trust indenture, dated as of May 1, 2015, by and between the Trustee and the USF Financing Corporation. The Bonds are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, acceleration of the bonds would not be a remedy of the trustee. Any financial consequences would be determined via court proceedings.

Pursuant to an operating agreement, the University operates the Marshall Student Center and makes payments to the USF Financing Corporation in an amount equal to 100 percent of principal and interest due on the Bonds, together with all other amounts due related to the Bonds. The payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

Bonds Payable – Schedule of Payments.

The following is a schedule of future payments payable under the bond agreements, as of June 30, 2019:

Fiscal Year Ending June 30	Principal	Interest
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Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue/ Acceptance Date	Maturity Date
Series 2010A Housing	\$ 2,860,000	\$ 800,000	4.75-5.00	2010	2020
Series 2012A Housing	77,015,000				

The Series 2018 Certificates are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, the outstanding principal may be accelerated.

Series 2019 Housing Refunding Certificates (Refunded Series 2010B Housing Certificates). The Series 2019 Housing Refunding Certificates were issued on January 16, 2019, to refund the outstanding Series 2010B Housing Certificates, in advance of the first optional prepayment date of the Series 2010B Certificates on July 1, 2020. The Series 2019 Certificates were issued at a tax-exempt, fixed interest rate ranging from 3.25 to 5 percent. The Certificates, which mature on July 1, 2039 and July 1, 2040, are callable at the option of the USF Financing Corporation beginning on January 1, 2029.

The Series 2019 Housing Refunding Certificates included the principal amount of \$15,510,000 together with the net premium of \$1,052,099, and net of the underwriter's discount of \$43,536, provided net proceeds of \$16,518,564. The proceeds were used to fund an escrow account in an amount necessary to pay the outstanding principal of the Series 2010B Housing Certificates in the amount of \$15,140,000 plus accrued interest until the July 1, 2020 prepayment date. Pursuant to an escrow agreement, dated January 16, 2019, the USF Financing Corporation was discharged from its obligation to the holders of the Series 2010B Certificates. The escrow agent accepted the deposit of net proceeds to be held in an irrevocable escrow fund during the term of the agreement, for the benefit of the Certificate holders, and invested the funds in United States treasury securities with terms necessary to pay the amounts of principal and interest due. As of June 30, 2019, the defeased Series 2010B Certificates were outstanding in the principal amount of \$15,140,000. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$918,741. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow of resources, is being charged to operations through the year 2040 using the straight line method. At June 30, 2019, the unamortized balance of the deferred outflow of resources was \$856,563. The USF Financing Corporation completed the advance refunding to reduce its total debt service payment over the next 21 years by \$2.7 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1.8 million.

The Series 2019 Housing Refunding Certificates are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, the outstanding principal may be accelerated.

Series 2003A Athletics Certificates. The Series 2003A tax-exempt Certificates were issued pursuant to an amended and supplemented trust indenture, dated March 1, 2003, by and between the University

outstanding on any date from March 1, 2018, through February 28, 2019, at 101 percent of the principal amount outstanding on any date from March 1, 2019, through February 29, 2020, and at 100 percent of the principal amount outstanding on any date thereafter. The Series 2003A Athletics Certificates hold a tax-exempt fixed interest rate of 3.82 percent.

The Series 2003A Certificates are directly placed with the bank. The Certificates are not secured by any

Certificates of Participation Payable – Schedule of Payments.

The following is a schedule of future payments payable under the certificate of participation agreements, as of June 30, 2019:

Fiscal Year Ending June 30

Underlying Bond Issue	Counter-party	Initial Notional Amount of Swap	Outstanding Amount of Swap	Effective Date	Initial Term (Years)	Semi Annual Fixed Rate Percentage	Fair Value June 30, 2019	Cash Flow
Series 2012B	Royal Bank of Canada	\$73,700,000	\$57,500,000	9-25-07	30	3.939	\$ (12,921,695)	\$(1,129,824)

The fair value of the swap agreement is the estimated amount the USF Financing Corporation would receive or pay to terminate the swap agreement as of the reporting date. Fluctuations in swap values are determined primarily by rises and falls in the level of market interest rates compared to the pay fixed rates on the swaps over the remaining term of the swap.

The unadjusted fair value of the USF Financing Corporation's swap agreement at June 30, 2019, was (\$13,350,279). In accordance with GASB Statement No. 72, Fair Value Measurement and Application, these values are adjusted using third party models to take into account current interest rates and the current creditworthiness of the counterparties. The credit value adjusted fair value of the USF Financing Corporation's swap agreement at June 30, 2019 of (\$12,921,695), is included on the USF Financing Corporation's statement of net position. As the outstanding swap agreement met the criteria set forth under GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as an effective hedging derivative instrument, hedge accounting was applied and, thus, the accumulated change in the interest rate swap agreement was reported as deferred outflow of resources on the statement of net position. The change in fair value for the year ended June 30, 2019, was (\$3,499,547) which is recorded as an increase in deferred outflows of resources. The following is a schedule of expected future interest payments required under the swap agreement, as of June 30, 2019:

<u>Fiscal Year Ending June 30</u>	<u>Interest</u>
2020	\$ 2,191,069
2021	2,104,411
2022	2,013,814
2023	1,920,262
2024	1,822,772
2025-2029	7,525,460
2030-2034	4,474,704
2035-2038	963,085
Total interest payments	\$23,015,577

The interest rate swap agreement contains collateral provisions to mitigate counterparty credit risk. The provisions of the interest rate swap agreement relating to the Series 2012B Housing Certificates require the USF Financing Corporation to maintain a rating of at least Baa1 by Moody's Investors Service or BBB+ by Standard & Poor's on its Housing Certificates. The provisions require the USF Financing Corporation to post collateral, in the form of cash or securities, for the negative valuation exposure in excess of the \$10 million minimum threshold level.

As of June 30, 2019, the total posted collateral was \$3,750,000. These amounts are classified as security pledged to counterparty in USF Financing Corporation's Statement of Net Position at June 30, 2019.

Risks associated with interest rate swaps include counterparty risk, termination risk, rollover risk, basis risk and tax event risk. The USF Financing Corporation mitigates these risks through the use of monitoring systems, expert advisors, partnerships with experienced institutions, the requirement for strong counterparty credit ratings, contract provisions, and by actively monitoring market conditions. Pursuant to the terms of the swap agreement, in the absence of a default, only the USF Financing Corporation has the right to terminate the swap contract.

The USF Financing Corporation Board of Directors has adopted a written Board of Trustees Derivatives Policy that prohibits the use of speculative types of swaps or derivatives. The Board of Directors has also adopted a written Debt Management Policy that requires the USF Financing Corporation to engage only counterparties with ratings of “AA” or better at the time the USF Financing Corporation enters into the agreement.

14. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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

The University’s FRS and HIS pension expense totaled \$57,067,596 for the fiscal year ended June 30, 2019.

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:

- y *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- y *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- y *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 ha enrollnt puly.822

by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 0.829635447 percent, which was an increase of 0.054540657 from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of \$50,156,807. 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	\$ 21,169,482	\$ 768,353
Change of assumptions	81,652,062	-
Net difference between projected and actual earnings on FRS Plan investments	-	19,307,088
Changes in proportion and differences between University contributions and proportionate share of contributions	17,727,846	45,429
University FRS contributions subsequent to the measurement date	26,352,406	-
Total	<u>\$ 146,901,796</u>	<u>\$ 20,120,870</u>

The deferred outflows of resources totaling \$26,352,406, 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, 2020. Other amounts reported as deferred outflows of resources are as follows:

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

<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%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property Reinvest)	0.0002 Tc	-0.0022 T68		

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, 2019, 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, 2019, 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 \$4,160,779 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of \$78,751,731 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 0.744056081 percent, which was an increase of 0.009408755 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the University recognized pension expense of \$6,910,789. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 8,758,165	\$ 8,326,292

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 2018 valuation was updated from 3.58 percent to 3.87 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 3.87 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
University's proportionate share of the net pension liability	\$89,693,607	\$78,751,731	\$69,631,043

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

15. 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 Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

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

The University's contributions to the Program totaled \$27,331,522, and employee contributions totaled \$17,068,046 for the 2018-19 fiscal year.

16. Construction Commitments

The University's construction commitments at June 30, 2019, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
USF Morsani College of Medicine/ USF Health Heart Institute	197,139,695		

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.

18. University Self-Insurance Program

The University of South Florida Health Sciences Center Self-Insurance Program (Program) and the University of South Florida Health Sciences Center Insurance Company (HSCIC) provide medical professional liability insurance protection to the University of South Florida Board of Trustees (USFBOT), as well as faculty, staff, residents and students engaged in medical programs and health-related courses of study.

The USFBOT and other immune entities, as well as the above covered individuals, are protected for losses subject to Section 768.28, Florida Statutes, in the amounts set forth therein, as well as for legislative claims bills. The Program and HSCIC are distinct from and entirely independent of the self-insurance programs administered by the State described in Note 17.

The Program's estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. Changes in the Program's claim liability amount for the fiscal years ended June 30, 2018, and June 30, 2019, are presented in the following table:

Fiscal Year	Claims Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Liability End Of Year
2017-18	\$ 26,417,494	\$ 3,019,925	\$ (1,752,179)	\$ 27,685,240
2018-19	27,685,240	4,136,542	(2,463,920)	29,357,862

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<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 409,031,735
Research	323,674,859
Public Services	19,084,447
Academic Support	157,552,733
Student Services	62,160,120
Institutional Support	105,191,038
Operation and Maintenance of Plant	67,680,831
Scholarships, Fellowships, and Waivers	97,140,544
Depreciation	71,168,998
Auxiliary Enterprises	167,892,465
Loan Operations	229,075
Total Operating Expenses	\$ 1,480,806,845

21. 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 Parking facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Parking Facilities
Assets	
Current Assets	\$ 17,921,754
Capital Assets, Net	35,584,295
Other Noncurrent Assets	11,567,333
Total Assets	65,073,382
Deferred Outflows of Resources	823,091
Liabilities	
Current Liabilities	2,967,859
Noncurrent Liabilities	16,166,843
Total Liabilities	19,134,702
Deferred Inflows of Resources	546,806
Net Position	
Net Investment in Capital Assets	20,649,941
Restricted - Expendable	11,472,420
Unrestricted	14,092,604
Total Net Position	

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

	Parking Facilities
Operating Revenues	\$ 14,422,183
Depreciation Expense	(1,642,041)
Other Operating Expenses	(9,156,534)
Operating Income	3,623,608
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	689,311
Interest Expense	(397,951)
Net Nonoperating Revenues	291,360
Increase in Net Position	3,914,968
Net Position, Beginning of Year	42,299,997
Net Position, End of Year	\$ 46,214,965

Condensed Statement of Cash Flows

	Parking Facilities
Net Cash Provided (Used) by:	
Operating Activities	\$ 4,862,982
Capital and Related Financing Activities	(3,400,058)
Investing Activities	(4,050,054)
Net Decrease in Cash and Cash Equivalents	(2,587,130)
Cash and Cash Equivalents, Beginning of Year	4,536,224
Cash and Cash Equivalents, End of Year	\$ 1,949,094

22. Blended Component Unit

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

Condensed Statement of Net Position

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Other Current Assets	\$ 12,300,259	\$ 858,091,664	\$ -	\$ 870,391,923
Capital Assets, Net	6,368	1,281,727,280	-	1,281,733,648
Other Noncurrent Assets	58,820,596	25,550,022	-	84,370,618
Total Assets	71,127,223	2,165,368,966	-	2,236,496,189
Deferred Outflows of Resources	-	175,112,728	-	175,112,728
Liabilities:				
Other Current Liabilities	1,461,697	1,280,000	(1,461,697)	-

Condensed Statement of Cash Flows

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	\$ 3,285,706	\$ (500,461,890)	\$ -	\$ (497,176,184)
Noncapital Financing Activities	-	562,385,705	-	562,385,705
Capital and Related Financing Activities	-	(87,231,568)	-	(87,231,568)
Investing Activities	(4,953,988)	8,246,701	-	3,292,713

Net Decrease in Cash and

(497,176,184) (497,176,184) (497,176,184) (497,176,184) (497,176,184)

Condensed Statement of Net Position

	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.
Assets:				
Current Assets	\$ 107,353,588	\$ 730,449	\$ 6,109,985	\$ 2,106,636
Capital Assets, Net	14,641,022	-	17,261,747	808,027
Other Noncurrent Assets	538,533,231	7,341,958	14,810	-
Total Assets	660,527,841	8,072,407	23,386,542	2,914,663
Deferred Outflows of Resources	-	-	-	-
Liabilities:				
Current Liabilities	1,457,338	330,979	3,863,811	2,748,731
Noncurrent Liabilities	4,818,266	2,029,836	381,944	(8)-p51(u)-1(rre)-7(nt)-53t834,3i

USF Institute of Applied Engineering, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	Total
\$ 15,193	\$ 17,813,534	\$ 38,638,168	\$ 99,790,604	\$ 272,558,157
81,476	42,853,560	5,671,498	54,542,436	135,859,766
-	35,572,522	328,545,265	679,275	910,687,061
96,669	96,239,616	372,854,931	155,012,315	1,319,104,984
-	15,608	14,020,503	-	14,036,111
-	11,117,106	23,721,063	40,637,118	83,876,146
-	18,650,196	345,878,084	48,019,857	433,239,794
-	29,767,302	369,599,147	88,656,975	517,115,940
-	-	247,131	-	19,258,203
81,476	23,313,788	331,005	3,995,489	40,783,989
-	-	-	-	344,913,619
-	-	10,327,703	-	278,206,249
15,193	43,174,134	6,370,448	62,359,851	132,863,095
\$ 96,669	\$ 66,487,922	\$ 17,029,156	\$ 66,355,340	\$ 796,766,952

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

	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.
Operating Revenues	\$ 63,462,910	\$ 2,785,681	\$ 16,248,937	\$ 4,946,313
Operating Expenses	(76,102,346)	(2,843,062)	(16,136,391)	(4,473,724)
Operating Income (Loss)	(12,639,436)	(57,381)	112,546	472,589
Net Nonoperating Revenues (Expenses)	36,746,458	275,421	(95,141)	(655,718)
Other Revenues	9,535,122	58,041	-	-
Increase (Decrease) in Net Position	33,642,144	276,081	17,405	(183,129)
Net Position - Beginning of Year	652,965,842	5,548,125	4,121,725	

University of USF Financing University
Corporation Medical

Statement of Net Position

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 46,418,431	\$ 2,703,817	\$ 1,529,153	\$ 50,651,401
Investments	640,134,516	40,269,879	22,906,669	703,311,064
Accounts Receivable, Net	63,817,244	3,113,957	350,989	67,282,190
Loans and Notes Receivable, Net	1,919,540	111,101	26,129	2,056,770
Due from State	23,434,235	4,719,647	1,192,648	29,346,530
Due from Component Units	16,554,475	14,046	3,028	16,571,549
Inventories	269,386	-	-	269,386
Other Current Assets	903,033	-	-	903,033
Total Current Assets	793,450,860	50,932,447	26,008,616	870,391,923
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	959,755	11,446	6,838	978,039
Restricted Investments	72,644,507	171,744	102,598	72,918,849
Loans and Notes Receivable, Net	2,237,234	181,271	42,630	2,461,135
Depreciable Capital Assets, Net	950,588,161	113,400,100	27,125,043	1,091,113,304
Nondepreciable Capital Assets	179,954,248	7,892,357	2,773,739	190,620,344
Other Noncurrent Assets	7,944,394	68,201	-	8,012,595
Total Noncurrent Assets	1,214,328,299	121,725,119	30,050,848	1,366,104,266
Total Assets	2,007,779,159	172,657,566	56,059,464	2,236,496,189
DEFERRED OUTFLOWS OF RESOURCES				
Other Postemployment Benefits	9,024,872	573,153	268,975	9,867,000
Pensions				

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
Liabilities (Continued)				
Noncurrent Liabilities:				
Capital Improvement Debt Payable	\$ 12,335,875	\$ -	\$ -	\$ 12,335,875
Installment Purchases Payable	75,361	-	-	75,361
Capital Leases Payable	179,195,062	35,113,298	-	214,308,360
Estimated Insurance Claims Payable	27,957,375	-	-	27,957,375
Compensated Absences Payable	76,663,161	3,648,888	1,495,178	81,807,227
Federal Advance Payable	2,589,451	212,306	48,425	2,850,182
Dining Facility Payable	4,683,171	-	-	4,683,171
Revenue Received in Advance	20,000,000	-	-	20,000,000
Other Postemployment Benefits Payable	392,843,092	24,948,739	11,708,169	429,500,000
Net Pension Liability	298,711,338	18,970,605	8,902,697	326,584,640
Total Noncurrent Liabilities	1,015,053,886	82,893,836	22,154,469	1,120,102,191
Total Liabilities	1,152,216,872	88,454,523	23,467,782	1,264,139,177
DEFERRED INFLOWS OF RESOURCES				
Other Postemployment Benefits	80,262,555	5,097,326	2,392,119	87,752,000
Pensions	26,141,634	1,660,207	779,117	28,580,958
Deferred Service Concession Arrangement Receipts	116,510,763	-	-	116,510,763
Total Deferred Inflows of Resources	222,914,952	6,757,533	3,171,236	232,843,721
NET POSITION				
Net Investment in Capital Assets	807,485,275	85,462,361	29,898,782	922,846,418
Restricted for Expendable:				
Debt Service	1,751,434	-	-	1,751,434
Loans	5,016,469	81,225	20,650	5,118,344
Capital Projects	17,378,611	4,857,901	1,302,084	

Statement of Revenues, Expenses, and Changes in Net Position

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
REVENUES				
Operating Revenues:				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 237,577,192	\$ 20,328,379	\$ 10,987,816	\$ 268,893,387
Federal Grants and Contracts	206,981,153	3,257,641	-	210,238,794
State and Local Grants and Contracts	27,353,908	2,762,402	-	30,116,310
Nongovernmental Grants and Contracts	178,535,836	465,234	7,948	179,009,018
Sales and Services of Auxiliary Enterprises	139,306,259	9,563,603	636,479	149,506,341
Interest on Loans and Notes Receivable	214,381	-	-	214,381
Other Operating Revenues	11,232,971	1,072	-	11,234,043
Total Operating Revenues	801,201,700	36,378,331	11,632,243	849,212,274
EXPENSES				
Operating Expenses:				
Compensation and Employee Benefits	893,624,635	53,856,694	24,287,839	971,769,168
Services and Supplies	287,923,603	18,363,697	5,514,420	311,801,720
Utilities and Communications	21,661,735	2,814,786	313,352	24,789,873
Scholarships, Fellowships, and Waivers	84,032,222	9,244,789	3,863,533	97,140,544
Depreciation	64,161,685	5,682,842	1,324,471	71,168,998
Self-Insurance Claims	4,136,542	-	-	4,136,542
Total Operating Expenses	1,355,540,422	89,962,808	35,303,615	1,480,806,845
Operating Loss	(554,338,722)	(53,584,477)	(23,671,372)	(631,594,571)
NONOPERATING REVENUES (EXPENSES)				
State Noncapital Appropriations	379,167,490	32,430,588	14,992,765	426,590,843
Federal and State Student Financial Aid	128,788,273	13,474,952	5,210,623	147,473,848
Noncapital Grants and Donations	23,519,675	1,479,225	561,953	25,560,853
Investment Income	38,071,555	1,988,261	1,328,350	41,388,166
Other Nonoperating Revenues	2,618,007	-	3,237	2,621,244
Loss on Disposal of Capital Assets	(362,584)	(29,005)	-	(391,589)
Interest on Capital Asset-Related Debt	(11,850,887)	(1,594,343)	-	(13,445,230)
Other Nonoperating Expenses	(27,501,647)	(2,608,298)	(11,520)	(30,121,465)
Net Nonoperating Revenues	532,449,882	45,141,380	22,085,408	599,676,670
Loss Before Other Revenues	(21,888,840)	(8,443,097)	(1,585,964)	(31,917,901)
State Capital Appropriations	18,438,426	1,047,028	394,207	19,879,661
Capital Grants, Contracts, Donations, and Fees	16,443,738	16,400	-	16,460,138
Transfers to/from Other University Institutions, Net	(129,468)	(263,742)	393,210	-
Increase (Decrease) in Net Position	12,863,856	(7,643,411)	(798,547)	4,421,898
Net Position, Beginning of Year	776,139,759	91,265,421	34,992,566	902,397,746
Adjustment to Beginning Net Position	3,810,950	3,995,425	-	7,806,375
Net Position, Beginning of Year, as Restated	779,950,709	95,260,846	34,992,566	910,204,121
Net Position, End of Year	\$ 792,814,565	\$ 87,617,435	\$ 34,194,019	\$ 914,626,019

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Statement of Cash Flows

USF

USF

USF Sarasota-

Total USF

	<u>USF Tampa</u>	<u>USF St. Petersburg</u>	<u>USF Sarasota- Manatee</u>	<u>Total USF System</u>
RECONCILIATION OF OPERATING LOSS LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	\$ (554,338,722)	\$ (53,584,477)	\$ (23,671,372)	\$ (631,594,571)
Adjustments to Reconcile Operating Loss to Net Cash used by Operating Activities:				
Depreciation Expense	64,161,685	5,682,842	1,324,471	71,168,998
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:				
Receivables, Net	4,822,126	(888,845)	105,282	4,038,563
Loans and Notes Receivable, Net	586,891	-	-	586,891
Inventories	(735)	-	-	(735)
Other Assets	501,070	-	-	501,070
Accounts Payable	(13,503,498)	(151,448)	(54,197)	(13,709,143)
Salaries and Wages Payable	2,913,493	170,524	43,711	3,127,728
Deposits Payable	(17,987)	(200)	-	(18,187)
Compensated Absences Payable	2,732,002	79,708	105,628	2,917,338
Unearned Revenue	21,967,968	(119,257)	(1,575)	21,847,136
Estimated Insurance Claims Payable	1,672,622	-	-	1,672,622
Other Postemployment Benefits	(9,384,135)	(893,810)	(337,055)	(10,615,000)
Deferred Outflows of Resources Related to Other Postemployment Benefits	1,477,946	101,529	45,525	1,625,000
Deferred Inflows of Resources Related to Other Postemployment Benefits	22,585,705	1,392,269	665,026	24,643,000
Net Pension Liability	19,269,391	1,018,381	534,736	20,822,508
Deferred Outflows of Resources Related to Pensions	(8,166,178)	(414,238)	(223,275)	(8,803,691)
Deferred Inflows of Resources Related to Pensions	13,377,156	840,240	396,893	14,614,289
NET CASH USED BY OPERATING ACTIVITIES	\$ (429,343,200)	\$ (46,766,782)	\$ (21,066,202)	\$ (497,176,184)

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

USF USF USF Sarasota- Total USF

25. Subsequent Events

On April 30, 2019, the USF Financing Corporation Board of Directors authorized the issuance of debt in an amount not to exceed \$27 million to finance a portion of the costs of the development of a mixed-use laboratory and office building to be located in the USF Research Park. The debt is anticipated to be sold through a private placement with a bank at a taxable fixed rate and will mature more than 20 years after issuance. The USF Research Foundation will contribute \$15 million to the costs of the project and will master lease the facility from the USF Financing Corporation. The issuance of debt is expected in late 2019; thus, this transaction does not impact the financial statements for the year ended June 30, 2019.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2018 (1)	2017 (1)	2016 (1)
University's proportion of the total other postemployment benefits liability	4.13%	4.13%	4.07%
University's proportionate share of the total other			

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

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
University's proportion of the FRS				

<u>2014 (1)</u>	<u>2013 (1)</u>
0.718476151%	0.558052129%
\$ 43,837,611	\$ 96,065,609
\$ 443,554,247	\$ 431,524,683
9.88%	22.26%

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

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
University's proportion of the HIS net pension liability	0.744056081%	0.734647326%	0.726023325%	0.706815530%
University's proportionate share of the HIS net pension liability	\$ 78,751,731	\$ 78,551,882	\$ 84,615,011	\$ 72,084,066
University's covered payroll (2)	\$ 238,582,447	\$ 229,109,865	\$ 220,376,032	\$ 208,898,281
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.01%	34.29%	38.40%	34.51%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	0.50%

(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>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
Contractually required HIS contribution	\$ 4,160,779	\$ 4,035,035	\$ 3,803,232	\$ 3,647,462
HIS contributions in relation to the contractually required HIS contribution	<u>(4,160,779)</u>	<u>(4,035,035)</u>	<u>(3,803,232)</u>	<u>(3,647,462)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>			

2014 (1)

2013 (1)

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Auditor General

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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