

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2020

Financial Audit

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2019-20 fiscal year, Dr. Steven C. Currall 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

Stephanie E. Goforth, Vice Chair from 6-3-20

Leslie M. Muma, Vice Chair through 6-2-20

Sandra Callahan from 1-7-20

Michael Carrere

Britney Deas through 5-10-20^b

Michael E. Griffin

Dr. Deanna Michael^a

Claire Mitchell from 5-11-20^b

Harold W. Mullis Jr. through 1-6-20

John B. Ramil

Byron E. Shinn

Charles Tokarz

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

AUDITOR GENERAL STATE OF FLORIDA

Sherrill F. Norman, CPA
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 University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in

~~accordance with the accounting principles generally accepted in the United States of America and (a) \$3~~

Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards*.

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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that MANAGEMENT'S DISCUSSION AND ANALYSIS, the Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability, Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of University Contributions – Florida Retirement System Pension Plan, Schedule of the University's

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by **Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2021, on our consideration of the University of South Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH **GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of South Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
May 7, 2021

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, 2020, 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, 2020, and June 30, 2019.

FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled \$2.5 billion at June 30, 2020. This balance reflects a \$50.2 million, or 2.1 percent, increase as compared to the 2018-19 fiscal year, resulting from increases in deferred outflows related to other postemployment benefits (OPEB), amounts due from component units, receivables, and cash, partially offset by a decrease in investments. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by \$145.2 million, or 9.7 percent, totaling \$1.6 billion at June 30, 2020, as compared to \$1.5 billion at June 30, 2019, resulting from increases in OPEB and net pension liabilities, partially offset by a decrease in construction contracts payable. As a result, the University's net position decreased by \$95 million, resulting in a year-end balance of \$819.6 million.

The University's operating revenues totaled \$821.8 million for the 2019-20 fiscal year, representing a 3.2 percent decrease compared to the 2018-19 fiscal year due mainly to decreases in sales and services of auxiliary enterprises and Federal grants and contracts, partially offset by an increase in nongovernmental grants and contracts. Operating expenses totaled \$1.54 billion for the 2019-20 fiscal year, representing an increase of 3.7 percent as compared to the 2018-19 fiscal year due mainly to increases in compensation and employee benefits and scholarships, fellowships, and waivers, partially offset by a decrease in services and supplies.

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, 2020, and June 30, 2019, is shown in the following graph:

Net Position
(In Thousands)

The following chart provides a graphical presentation of University revenues by category for the 2019-20 fiscal year:

Total Revenues
2019-20 Fiscal Year

OVERVIEW OF FINANCIAL STATEMENTS

Condensed Statement of Net Position at June 30

(In Thousands)

	2020	2019
Assets		
Current Assets	\$ 828,089	\$ 870,392
Capital Assets, Net	1,285,427	1,281,734
Other Noncurrent Assets	86,885	84,370
Total Assets	2,200,401	2,236,496
Deferred Outflows of Resources	261,432	175,113
Liabilities		
Current Liabilities	132,404	144,037
Noncurrent Liabilities	1,278,799	1,120,102
Total Liabilities	1,411,203	1,264,139
Deferred Inflows of Resources	231,024	232,844
Net Position		
Net Investment in Capital Assets	941,721	922,846
Restricted	225,910	203,497
Unrestricted	(348,025)	(211,717)
Total Net Position	\$ 819,606	\$ 914,626

Current assets for the University decreased \$42.3 million between the two fiscal years due to a \$113.8 million decrease in current investments, primarily resulting from the reduction of investment positions to meet cash needs in support of USF operations. This decrease was partially offset by an increase in current cash of \$16 million, an increase in net receivables of \$20.7 million, and an increase in due from component units of \$31.8 million. Cash increased due to the reduction of investment positions. Net receivables increased due to a \$13.4 million increase in contracts and grants receivable and a \$6.9 million increase in net student tuition and fees receivable. The increase in contracts and grants receivable is for Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act institutional funds (\$6.3 million), increases in receivables for State projects (\$4.6 million), and House Staff (\$2.5 million). Due from component units increased due primarily to a \$26.8 million increase in University Medical Service Association convenience fund deficits and a \$5.3 million increase in interest swap collateral due from the USF Financing Corporation.

Deferred outflows of resources increased \$86.3 million related to OPEB, primarily due to an increase in the University's proportional share of the liability and a change in assumptions in which a 394c -0.0003 Tw -36.525

decreased construction activity at the end of the year and payments made on capital lease and capital improvement debt.

Net position is reported in three major categories. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the University. Restricted net position is another category, which may be further broken down into nonexpendable and expendable. Restricted nonexpendable net position represents funds that have been donated to the University that are required to be invested in perpetuity. This net position component is primarily maintained within the University of South Florida Foundation, Inc. a component unit of the University. Restricted expendable net position is available for use by the University, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position and is available to the University for any lawful purpose of the University.

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

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

The following summarizes the University's activity for the 2019-20 and 2018-19 fiscal years:

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

(In Thousands)

	2019-20	2018-19
Operating Revenues	\$ 821,824	\$ 849,212
Less, Operating Expenses	1,535,621	1,480,807
Operating Loss	(713,797)	(631,595)
Net Nonoperating Revenues	584,096	599,677
Loss Before Other Revenues	(129,701)	(31,918)
Other Revenues	34,681	36,340
Net Increase (Decrease) In Net Position	(95,020)	4,422
Net Position, Beginning of Year	914,626	902,398
Adjustment to Beginning Net Position (1)	-	7,806
Net Position, Beginning of Year, as Restated	914,626	910,204
Net Position, End of Year	\$ 819,606	\$ 914,626

(1) For the 2018-19 fiscal year, the University's beginning net position was increased due to the change in the accounting relationship with USF Financing Corporation.

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 2019-20 and 2018-19 fiscal years:

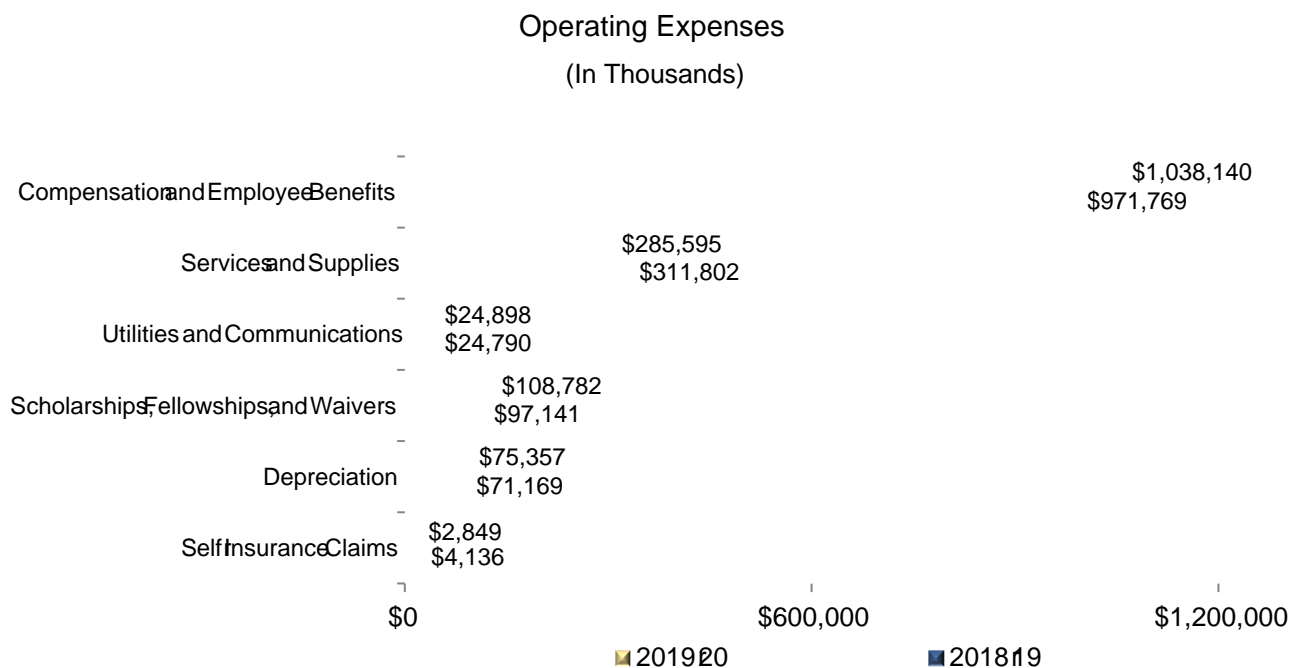
Operating Revenues For the Fiscal Years (In Thousands)		
	2019-20	2018-19
Student Tuition and Fees, Net	\$ 261,251	\$ 268,893
Grants and Contracts	422,439	419,364
Sales and Services of Auxiliary Enterprises	126	[(1)-1.4 (2)-7.6 (V06 (e)V0636.2 (3))TJ -0.0145 Tc C

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 2019-20 and 2018-19 fiscal years:

Operating Expenses For the Fiscal Years		
(In Thousands)		
	2019-20	2018-19
Compensation and Employee Benefits	\$ 1,038,140	\$ 971,769
Services and Supplies	285,595	311,802
Utilities and Communications	24,898	24,790
Scholarships, Fellowships, and Waivers	108,782	97,141
Depreciation	75,357	71,169
Self-Insurance Claims	2,849	4,136
Total Operating Expenses	\$ 1,535,621	\$ 1,480,807

The following chart presents the University's operating expenses for the 2019-20 and 2018-19 fiscal years:



Total operating expenses increased by \$54.8 million, or 3.7 percent, resulting primarily from a \$66.4 million increase in compensation and employee benefits and an \$11.6 million increase in scholarships, fellowships, and waivers, partially offset by a \$26.2 million decrease in services and supplies. The increase in compensation and employee benefits was largely due to a \$28.8 million increase in GASB Statement No. 68 pension expenses and an \$11.1 million increase in GASB Statement No. 75 OPEB expenses. Other significant contributors to the increase in compensation and employee benefits were increases in administrative and faculty wages (\$14 million), health insurance benefits

(\$7.8 million), and compensated absences (\$3.2 million). Federal CARES Act student aid was the main cause of the increase in scholarships, fellowships, and waivers while the decrease in services and supplies was primarily due to a decrease in minor renovations.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2019-20 and 2018-19 fiscal years:

Nonoperating Revenues (Expenses)			
For the Fiscal Years			
(In Thousands)			
		2019-20	2018-19
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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 t

Capital Assets, Net at June 30

(In Thousands)

	2020	2019
Land	\$ 23,649	\$ 23,649
Construction in Progress	13,674	164,504
Buildings	959,441	804,681
Infrastructure and Other Improvements	40,732	29,348
Furniture and Equipment	74,268	73,849
Library Resources	19,999	17,992
Property Under Capital Lease and Leasehold Improvements	149,710	163,512
Works of Art and Historical Treasures	1,316	1,323
Other Capital Assets	2,638	2,876
Capital Assets, Net	<u>\$ 1,285,427</u>	<u>\$ 1,281,734</u>

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

Capital Expenses and Commitments

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF SOUTH FLORIDA

UNIVERSITY OF SOUTH FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$149,922,700 (\$2,751,894 Pledged for the Parking System Revenue Bonds)	\$ 261,250,826	\$ -
Federal Grants and Contracts	188,766,970	-
State and Local Grants and Contracts	36,396,382	-
Nongovernmental Grants and Contracts	197,275,104	81,274,355
Sales and Services of Auxiliary Enterprises	-	-

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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, 2020

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 255,870,112
Grants and Contracts	413,084,459
Sales and Services of Auxiliary Enterprises	125,094,017
Interest on Loans Receivable	130,383
Payments to Employees	(951,410,495)
Payments to Suppliers for Goods and Services	(309,301,755)
Payments to Students for Scholarships and Fellowships	(108,782,261)
Payments on Self-Insurance Claims and Expenses	(1,634,376)
Loans Issued to Students	(307,363)
Collection on Loans to Students	805,281
Other Operating Receipts	14,325,084
Net Cash Used by Operating Activities	(1,000,000)

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (713,797,127)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	75,356,517
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(13,319,307)

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

not-for-profit corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

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.

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.

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 public, an array of cultural, athletic, and other educational events and activities, including a variety of entertainment events.

The University of South Florida Institute of Applied Engineering, Inc. is organized and operated to provide applied engineering solutions to the United States Federal government as well as other State, County, and Municipal governments and industry. The Institute will enhance scientific research and educational opportunities for the University and community while attracting new technology-focused industries to the local geographic area.

The University of South Florida Research Foundation, Inc. has been established to provide a means by which inventions and works may be developed, protected, applied, and utilized so that the results of University research will be made available to the public and funds will be made available from the commercial application of inventions and works to be dedicated to the benefit of the University and shared with the inventor/author.

The USF Financing Corporation was organized and operated to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University of South Florida.

The USF Property Corporation was formed for the primary purpose of acting as lessor in connection with "lease-purchase" financings in support of the activities and educational purposes of the University of South Florida and of the USF Financing Corporation by assisting in acquiring facilities and construction facilities on the University campus and in general, furthering the University's education mission.

The USF Health Professions Conferencing Corporation was established to provide educational, administrative, logistical, and financial services to support the USF Health's Office of Continuing Professional Development (OCPD). The OCPD is committed to sponsoring quality continuing educational activities to meet the needs of USF faculty, alumni, and healthcare professionals practicing throughout the State, nationally, and internationally.

The University Medical Service Association, Inc. (UMSA) is approved as the USF Health Faculty Practice Plan (Plan) pursuant to Florida Board of Governors Regulation 9.017 and USF Regulation 9.017. UMSA specifically functions as the University's agent for the orderly collection and administration of income generated from University faculty practice in accordance with the Plan and employs and provides personnel to support the USF Health clinical enterprise and mission.

The University of South Florida Medical Services Support Corporation (MSSC) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. At the September 16, 2015, Board meeting, the Board

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.

Health Services Support Organization.

The University of South Florida Health Service Support Organization, Inc. (HSSO) is provided for in Section 1004.29, Florida Statutes, the Board of Governors Regulation 9.011. The HSSO is a legally separate, not-for-profit corporation organized to benefit the University's academic health sciences center by entering into arrangements with other entities and providers in other integrated health care systems or similar entities. The HSSO was established in 1996 for the purpose of creating and operating a clinically integrated network, comprised of selected network participants. The HSSO is focused on activities associated with the provision of health care services within the geographic area comprised of Hillsborough, Manatee, Pasco and Pinellas Counties. The HSSO, along with other entities, have entered into Participation Agreements with Tampa Bay Health Alliance, LLC (TBHA) whereby TBHA is granted certain authority to negotiate and enter into certain payor contracts on behalf of such health care providers. Prior to its investment in TBHA, HSSO had 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:

Management's Discussion and Analysis

Basic Financial Statements:

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

Other Required Supplementary Information

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

generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's 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. The University's discretely presented component units follow GASB standards of accounting and financial reporting. The University of South Florida Health Sciences Center Insurance Company (the 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 accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

- Buildings – 10 to 40 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Lease and Leasehold Improvements – 10 to 40 years
- Other Capital Assets – 3 to 20 years
- 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, dining facility fee payable, revenue received in advance, other postemployment benefits payable, 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 net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	\$ (423,289,770)

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 current income, to the extent consistent with the preservation of capital, and maintain liquidity. Investments in this category are valued at quoted prices in an active market (Level 1 inputs).

The University's investments at June 30, 2020, are reported as follows:

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)	
SBA Debt Service Accounts	\$ 881	\$ 881	\$ -	\$ -	
United States Treasury Securities	21,009,224	-	21,009,224	-	911 (m)-0

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 3,707,652	\$ 3,707,652	\$ -	\$ -
Bonds and Notes	1,430,789	-	1,430,789	-
Stocks and Other Equity Securities	636,540	636,540	-	-
Partnership Investments	449,999	-	-	449,999
Mutual Funds				
Equities	174,771,607	174,771,607	-	-
Bonds	81,563,024	81,563,024	-	-
Money Market	79,907,064	79,907,064	-	-
Beneficial Interest Assets	20,526,770	-	-	20,526,770
Total investments by fair value level	362,993,545	\$ 340,585,987	\$ 1,430,789	\$ 20,976,769
Investments measured at the net asset value (NAV)				
Partnership Investments				
Private Equity	34,661,196			
Fixed Income	37,787,765			
Real Asset	35,061,225			
Mutual Funds				
Equities	209,944,954			
Bonds	93,759,104			
Total investments measured at the NAV	411,214,244			
Total investments measured at fair value	774,207,789			
Other				
Security Pledged to Swap Counterparty	8,960,000			
Equity Method Investment	269,255			
Total Other Investments	9,229,255			
Total Component Unit Investments	\$ 783,437,044			

through the liquidation of the underlying assets of the investees. The estimated remaining life on these funds range from 1 to 11 years.

Partnership Fixed Income Investment. This category consists of a high-yield bond portfolio in a commingled fund in which the manager holds publicly traded corporate bonds with some rated below investment grade. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Bond Mutual Funds. This category includes investments in fixed income securities through commingled fund structures. The investment manager's emphasis is on spread sectors, in particular, puttable corporate bonds and commercial mortgage-backed securities. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

Equity Mutual Funds. This category includes investments in domestic and international equities through

6. Due From and To Component Units/University

The \$48,411,565 reported as due from component units consists of amounts owed to the University from the University of South Florida Research Foundation, Inc. (\$8,971,012) for grant and special project-related revenue and administrative overhead rebate; from Sun Dome, Inc. (\$95,751) for other operating revenue; from the USF Financing Corporation for interest rate swap collateral (\$7,493,392); from the University of South Florida Alumni Association (\$83,289) for payroll expenses; from the USF Institute of Applied Engineering, Inc. (\$239,052) for salaries and other operating expenses at USF as well as shared services fees; and from the University Medical Service Association, Inc. (\$31,529,069) for salaries and other operating expenses at USF and payments from HCA West Florida to support the Graduate Medical Education (GME) program.

The \$4,285,138 reported as due to component units represents amounts owed by the University to the University of South Florida Foundation, Inc. (\$4,275,007) for funds supporting the construction of the USF Health Morsani College of Medicine and Heart Institute project, net of amounts owed to the University, primarily for salary and operating expense support; and to the USF Health Professions Conferencing Corporation (\$10,131) for service invoices payable and deposits made to support the funding of salaries and other operating expenses at USF, net of program residuals owed to the University.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 23,648,989	\$ -	\$ -	\$ 23,648,989
Works of Art and Historical Treasures	1,293,157	9,600	-	1,302,757
Other Capital Assets	1,173,750	-	-	1,173,750
Construction in Progress	164,504,448	60,799,620	211,630,223	13,673,845
Total Nondepreciable Capital Assets	\$ 190,620,346	(60,799,620)	(211,630,223)	\$ 13,673,845

University reports cash in the amount of \$324,414, housing facilities and infrastructure with a carrying amount of \$116,879,899, a dining facility fee liability in the amount of \$4,683,171, and deferred inflows of resources in the amount of \$113,943,465 at year-end pursuant to the service concession arrangement.

9. Unearned Revenue

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	\$ 12,335,875	2.2	2026
Total Capital Improvement Debt	<u>\$ 21,545,000</u>	\$ 12,335,875		

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 112,218
2022	112,218
2023	73,061
2024	73,061
Total Minimum Payments	370,558
Less, Amount Representing Interest	29,963
Present Value of Minimum Payments	<u>\$ 340,595</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, the University has 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, 2020, is as follows:

	Amount of Original Debt	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Bonds:				
Series 2015 Marshall Center	\$31,595,000	26,595,000	3.65-5.00	2036
Notes:				
Series 2013 Arena (1)				

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 300,000
2022	300,000
2023	300,000
2024	300,000
2025	300,000
2026-2030	1,500,000
2031-2035	1,500,000
2036-2040	1,500,000
2041-2045	1,500,000
2046-2050	1,500,000
2051-2055	1,500,000
2056-2060	1,500,000
2061-2064	1,200,000
Total Minimum Payments	13,200,000
Less, Amount Representing Interest	8,516,829
Present Value of Minimum Payments	<u>\$ 4,683,171</u>

Revenue Received in Advance . Revenue received in advance is rent received in advance from Tampa General Hospital for the lease of space in the USF Health Morsani College of Medicine and Heart Institute. The initial lease term is 25 years with a commencement date of August 1, 2020. Total revenue received in advance at June 30, 2020, was \$20,000,000, with \$733,333 expected to be earned during the 2020-21 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 employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The

OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor’s recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

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

Proportionate Share of the Total OPEB Liability

The University’s proportionate share of the total OPEB liability of \$556,271,661 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2019. At June 30, 2019, the University’s proportionate share, determined by its proportion of total benefit payments made, was 4.39 percent, which was an increase of 0.26 from its proportionate share measured as of July 1, 2018.

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	2.79 percent
Healthcare cost trend rates	6.7 percent for Preferred Provider Organizations (PPO) for the fiscal year 2020, initially increasing to 8.6 percent pre-Medicare and 8.2 percent post-Medicare for 2023 before decreasing to ultimate rates of 5.4 percent and 5.2 percent, respectively, for 2072 and later years. 5.2 percent for Health Maintenance Organizations (HMO) for fiscal year 2020, initially increasing to 6.6 percent pre-Medicare and 6.3 percent post-Medicare for 2023 before decreasing to ultimate rates of 5.4 percent and 5.3 percent, respectively, for 2072 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 Standard & Poor’s Municipal Bond 20 Year High Grade Rate 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 changes have been made since the prior valuation:

Census Data – The census data reflects changes in status for the 24-month period since July 1, 2019.

Discount Rate – The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor’s Municipal Bond Rate Index as of the measurement date, as required under GASB 75. Due to the change in the benchmark used as well as the market environment changes between June 30, 2018, and June 30, 2019, the discount rate decreased from 3.87 percent to 2.79 percent, resulting in higher liabilities to be reported for the reporting period ending June 30, 2020.

Excise (“Cadillac”) Tax – The full impact of the Excise Tax that will come into effect in 2022 is reflected. The impact of this change was an increase in liabilities of about 12 percent. There is some reasonable chance that this tax will be repealed before it actually takes effect.

Claims Costs and Premium Rates – The assumed claims and premiums reflect the actual claims information provided as well as the premiums that are actually being charged to participants. These updates resulted in lower liabilities as of June 30, 2019.

Trend Rate – The medical trend assumption was updated based on the Getzen Model. Medical trend rates consistent with the August 2019 Report on the Financial Outlook of the Plan were used along with information from the Getzen Model and actuarial judgement. The impact of the trend rate changes is a decrease in the liability, due primarily to lower trend rates in the first several years.

Mortality – The mortality rates were updated to those required by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in Milliman’s July 1, 2018 FRS valuation report. The impact of this change was very small and does not materially impact the results.

Sensitivity of the University’s Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University’s proportionate share of the total OPEB liability, as well as what the University’s proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.79 percent) or 1 percentage point higher (3.79 percent) than the current rate:

	1% Decrease (1.79%)	Current Discount Rate (2.79%)	1% Increase (3.79%)
University’s proportionate share of the total OPEB liability	\$700,245,852	\$556,271,661	\$447,167,775

Sensitivity of the University’s Proportionate Share of the Total OPEB Liability to Changes in the Health Care Cost Trend. OPEB for 2020s will be 15,856 if we use a 1% increase in the health care cost trend rate.

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

For the fiscal year ended June 30, 2020, the University recognized OPEB expense of \$35,811,889. At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 14,321,578
Change of assumptions or other inputs	69,746,069	78,663,207
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	32,468,010	734,695
Transactions subsequent to the measurement date	7,366,991	-
Total	<u>\$ 109,581,070</u>	<u>\$ 93,719,480</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$7,366,991 resulting from transactions subsequent to the measurement date.

<u>Description</u>	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Bonds Payable	\$ 28,700,000	\$ -	\$ 1,030,000	\$ 27,670,000	\$ 1,075,000
Certificates of Participation Payable	137,615,000	-	3,830,000	133,785,000	4,000,000
Direct Borrowings and Placements:					
Mortgage Loan Payable	3,600,000	-	219,798	3,380,202	232,209
Notes Payable	48,590,027	27,000,000	2,664,217	72,925,810	3,723,304
Certifica (b)-26.2 (e)-125381102150.0194 Tc 0.0493-49.3a-56.1 (i)-26.2 (pa)7.2 (c)- Tc 0 Tw 8.617 0 Td ()Tj -0.0194159oTJ 1.081 -1.31 Td [(M)-3					

<u>Fiscal Year ending June 30</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 232,209	\$ 143,760
2022	242,373	133,597
2023	252,981	122,988
2024	264,054	111,916
2025	275,611	100,358
2026–2030	1,569,913	309,933
2031–2033	543,061	23,566
Total Minimum Payments	<u>\$3,380,202</u>	<u>\$ 946,118</u>

Notes Payable.

The USF Financing Corporation had notes payable outstanding at June 30, 2020 as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue Date	Maturity Date
Series 2013 Arena	\$ 20,000,000	\$ 15,870,000	4.78	2013	2033
Series 2018A Athletics	7,685,180	6,843,759	3.46	2018	2030
Series 2018B Athletics	10,486,685	9,354,110	3.51	2018	2031
Series 2018 CAMLS	15,535,830	13,857,941	3.51	2018	2031
Series 2019 Research Lab	27,000,000	27,000,000	3.22	2019	2039
Total	\$ 80,707,695	\$ 72,925,810			

USF Financing Corporation on any scheduled payment date at: 105 percent of principal outstanding if prepaid in the first year of the loan, 104 percent in the second year, 103 percent in the third year, 102 percent in the fourth year, 101 percent in the fifth year, and 100 percent if prepaid after the fifth year of the loan.

The Series 2019 Research Note is a direct borrowing from the bank. The Note is not secured by any assets pledged as collateral. The Note contains provisions that in an event of default the bank may accelerate payment for all principal and interest due under the Note.

For the Series 2019 Research Laboratory and Office Building Note, the USF Financing Corporation entered into a sublease agreement, dated March 11, 2020, with the USF Research Foundation whereby the USF Research Foundation has leased to the USF Financing Corporation the land on which the Research Laboratory and Office Building will be developed. Pursuant to the master lease agreement, dated December 16, 2019, the USF Financing Corporation sub-subleased the land and the improvements back to the USF Research Foundation until the earlier of the date all amounts due on the loan are paid

Series 2015 Marshall Center Revenue Bonds

due on the Series 2013A Certificates, together with all other amounts due on the Notes. The rental payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

Series 2010A Housing Certificates . The Series 2010A Housing Certificates were issued on December 23, 2010 to finance the acquisition, construction, and installation of a mixed-use facility that includes a student center and a student housing facility on the University's St. Petersburg Campus.

The Series 2010A Certificates were issued at tax-exempt, fixed interest rates ranging from 3 to 5 percent. The Certificates, which mature in 2020, are not callable prior to maturity.

The Series 2010A 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 2012A Housing Certificates . The Series 2012A tax-exempt, fixed rate Certificates were reissued on May 6, 2015, to convert the Series 2012A Certificates from variable rate to fixed rate mode. The Certificates mature in 2035 and are not subject to optional prepayment prior to July 1, 2025. On or after July 1, 2025, the Certificates are callable at the option of the USF Financing Corporation at 100 percent of the principal amount outstanding.

The Series 2012A Certificates were originally issued on October 1, 2012 as variable rate Certificates, directly placed with Wells Fargo Bank, N.A., to refund the Series 2005B Certificates. The Series 2005B Certificates were originally issued to finance the cost to lease purchase certain student housing facilities existing on the University's Tampa campus, to acquire, construct, and equip a housing facility and a related parking facility on the University's St. Petersburg campus.

The Series 2012A 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 2015A Housing Certificates . The Series 2015A tax-exempt, fixed rate Certificates were issued on May 6, 2015 to refund the Series 2005A Certificates, in advance of the first optional prepayment date of the Series 2005A Certificates on July 1, 2015. The Series 2005A Certificates were originally issued to retire or defease the University's prior housing financings. The Certificates mature in 2023 and are not subject to prepayment at the option of the USF Financing Corporation. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$997,085. This difference, reported in USF Financing Corporation's financial statements as a deferred inflow of resources, is being charged to operations through fiscal year 2024 using the straight line method. At June 30, 2020, the unamortized balance of the deferred inflow of resources was \$130,491. The USF Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 8 years by \$3.3 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.1 million.

The Series 2015A 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 2018 Housing Certificates . The Series 2018 Housing Certificates were issued on January 16, 2019, to finance the cost to acquire, construct, and equip a student housing facility and dining facility shell on the University's St. Petersburg Campus. The Series 2018 Certificates were issued at a tax-exempt, fixed interest rate ranging from 4 to 5 percent. The Certificates, which mature on

July 1, 2043, and July 1, 2048, are callable at the option of the USF Financing Corporation on scheduled dates and in scheduled installments beginning on July 1, 2039.

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 72 10.0010

accepted an assignment from the Foundation of its rights, title, interests, and obligations related to the \$9,905,000 outstanding Series 2003A Certificates. The Series 2003A Certificates, which mature in 2022, are callable at the option of the USF Financing Corporation 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 assets pledged as collateral. The trust indenture and credit agreement contain provisions that in an event of default, the outstanding principal and interest may be accelerated.

Series 2012B Housing Certificates . The Series 2012B tax-exempt, variable rate Refunding Certificates were issued and directly placed with Wells Fargo Bank, N.A. on October 1, 2012, to refund the Series 2007 Housing Certificates. The Series 2007 Housing Certificates were originally issued to finance the acquisition, construction and equipping of a housing facility on the University's Tampa Campus. The Refunding Certificates were issued at an amount equal to the par amount of the outstanding Series 2007 Housing Certificates. The Certificates, which mature in 2037, are subject to a mandatory purchase on October 1, 2024.

The Series 2012B Certificates are hedged to limit the effect of changes in interest rates. The Series 2012B Housing Certificates are directly placed with the bank. The Certificates are not secured by any assets pledged as collateral. The trust indenture and continuing covenants agreement contain provisions that in an event of default, the outstanding principal may be accelerated.

Series 2013A Health Certificates . The Series 2013A tax-exempt, variable rate Certificates were issued and directly placed with JPMorgan Chase Bank, N.A. on September 3, 2013, to refund the Series 2006A Health Certificates. The Series 2006A Health Certificates were originally issued to finance the acquisition and construction of two fully equipped medical office buildings (the North Clinic Facility and the South Clinic Facility). The Certificates were issued at an amount equal to the par amount of the outstanding Series 2006A Certificates. On July 1, 2016, the Certificates were converted from variable rate to fixed rate mode. The Certificates mature in 2036.

The Series 2013A Health Certificates are directly placed with the bank. The Certificates are not secured by any assets pledged as collateral. The trust indenture and continuing covenants agreement contain provisions that in an event of default, the outstanding principal may be accelerated.

Series 2013B Health Certificates . On July 2, 2018, the \$17,925,000 outstanding par amount of the Series 2013B tax-exempt Certificates were converted from a variable rate mode to a fixed rate mode and directly placed with Truist Bank through maturity in 2037. The associated interest rate swap, with an equal notional amount, expired on July 1, 2018. Prior to the conversion, the variable rate Certificates were issued and directly placed with JPMorgan Chase Bank, N.A. on September 3, 2013, to refund the Series 2007 Health Certificates. The Series 2007 Health Certificates were originally issued to finance the acquisition, construction, installation, and equipping of a medical office building (Medical Office Building). The Certificates were issued at an amount equal to the par amount of the outstanding Series 2007 Health Certificates.

The Series 2013B Health Certificates are directly placed with the bank. The Certificates are not secured

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, 2020	Cash Flow
Series 2012B	Royal Bank of Canada	\$ 73,700,000	\$ 55,625,000	9-25-07	30	3.939	\$ (18,124,278)	\$ (1,435,372)

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, 2020, was (\$18,971,902). 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, 2020, of (\$18,124,278) 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, 2020, was (\$5,202,583) 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, 2020:

Fiscal Year Ending June 30	Interest
2021	\$ 2,104,411
2022	2,013,814
2023	1,920,262
2024	1,822,772
2025	1,722,328
2026–2030	6,960,213
2031–2035	3,793,257
2036–2039	798,632
Total Interest Payments	\$ 21,135,689

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 in a ratio

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.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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 m13e after48the Plan may ivaluy.8 (od in))TJ Tw 0 -,rwhi0.w ssk 4 0.00ever, there ars0.id/ year oro 4 y5.5ss(sk 4 (

<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 Manaw wu58	

liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.844746094 percent, which was an increase of 0.015110647 from its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$78,999,531. 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	\$ 17,255,225	\$ 180,542
Change of assumptions	74,720,464	-
Net difference between projected and actual earnings on FRS Plan investments	-	16,095,146
Changes in proportion and differences between University contributions and proportionate share of contributions	12,982,576	32,068
University FRS contributions subsequent to the measurement date	27,147,192	-
Total	<u>\$ 132,105,457</u>	<u>\$ 16,307,756</u>

The deferred outflows of resources totaling \$27,147,192, 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, 2021. Other amounts reported as deferred outflows of resources and deferred

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

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 1,032,788	\$ 104,117
Change of assumptions	9,845,703	6,949,682
Net difference between projected and actual earnings on HIS Plan investments	54,869	-
Changes in proportion and differences between University HIS contributions and proportionatc(r)10.8 (op)6.2e07.1 (o)-4if496.9h,64554.7 (5496.9 (6)53.8 o(4554.7f)79-6		

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 2019 valuation was updated from 3.87 percent to 3.50 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 3.50 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
University’s proportionate share of the net pension liability	\$97,066,421	\$85,030,277	\$75,005,533

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.

13. 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 2019-20 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership

The University's contributions to the Program totaled \$28,238,887, and employee contributions totaled \$17,505,447 for the 2019-20 fiscal year.

14. Construction Commitments

The University's construction commitments at June 30, 2020, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
USF Wellness Center Complex	\$ 20,413,439	\$ 222,951	\$ 20,190,488
USF Health Morsani College of Medicine and Heart Institute	16,763,077	-	16,763,077
Davis Hall Renovations	5,257,473	5,257,473	-

drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

16. University Self-Insurance Program

The University of South Florida Health Sciences Center Self-Insurance Program (Program) and the

<u>Functional Classification</u>	Amount
Instruction	\$ 451,999,141
Research	325,284,608
Public Services	20,823,760
Academic Support	152,791,127
Student Services	68,569,259
Institutional Support	97,073,277
Operation and Maintenance of Plant	67,909,211
Scholarships, Fellowships, and Waivers	108,782,261
Depreciation	75,356,517
Auxiliary Enterprises	166,920,470
Loan Operations	111,065
Total Operating Expenses	\$ 1,535,620,696

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

	Parking Facilities
Operating Revenues	\$ 12,550,041
Depreciation Expense	(1,627,841)
Other Operating Expenses	(9,469,493)
Operating Income	1,452,707
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	515,694
Interest Expense	(341,851)
Other Nonoperating Expense	(4,778)
Net Nonoperating Revenues	169,065
Increase in Net Position	1,621,772
Net Position, Beginning of Year	46,214,965
Net Position, End of Year	\$ 47,836,737

Condensed Statement of Cash Flows

20. 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
<i>Assets:</i>				
Other Current Assets	\$ 11,481,109	\$ 816,607,769	\$ -	\$ 828,088,878
Capital Assets, Net	1,750	1,285,425,796	-	1,285,427,546
Other Noncurrent Assets	66,768,233	20,116,686	-	86,884,919
Total Assets	78,251,092	2,122,150,251	-	2,200,401,343

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

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Operating Revenues	\$ 7,796,852	\$ 814,670,511	\$ (643,794)	\$ 821,823,569
Depreciation Expense	(5,942)	(75,350,575)	-	(75,356,517)
Other Operating Expenses	(6,606,326)	(1,454,301,647)	643,794	(1,460,264,179)
Operating Income (Loss)	<u>1,184,584</u>	<u>(714,981,711)</u>	<u>-</u>	<u>(713,797,127)</u>
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	4,719,491	630,638,992	-	635,358,483
Interest Expense	-	(10,968,774)	-	(10,968,774)
Other Nonoperating Expense	-	(40,294,213)	-	(40,294,213)
Net Nonoperating Revenues	<u>4,719,491</u>	<u>579,376,005</u>	<u>-</u>	<u>584,095,496</u>
Other Revenues	-	34,681,324	-	34,681,324
Increase (Decrease) in Net Position	<u>5,904,075</u>	<u>(100,924,382)</u>	<u>-</u>	<u>(95,020,307)</u>
Net Position, Beginning of Year	<u>41,708,151</u>	<u>872,917,868</u>	<u>-</u>	<u>914,626,019</u>
Net Position, End of Year	<u>\$ 47,612,226</u>	<u>\$ 771,993,486</u>	<u>\$ -</u>	<u>\$ 819,605,712</u>

Condensed Statement of Cash Flows

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	\$ 3,250,448	\$ (565,377,362)	\$ -	\$ (562,126,914)
5 m 67.44 0 S Q 489 556.02 67.44 0.66 re f q 1 0 0 1 488.94 541.62 cm 0.06 w 0 0 m 67.44 0 S Q 489 540.96 67.44 0.6 re f q 1 0 0 1 488.94 526.56 cm 0.0				

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:				

Direct-Support Organizations				Health Services Support Organization		Total
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)	University Health Services Support Organization, Inc.		
\$ 592,047	\$ 19,822,983	\$ 38,490,128	\$ 114,764,185	\$ 417	\$ 308,206,625	
7,888	41,080,273	32,727,737	53,450,063	-	159,102,520	
-	38,471,080	325,957,666	679,275	175,419	946,740,096	
599,935	99,374,336	397,175,531	168,893,523	175,836	1,414,049,241	
-	-	19,063,898	-	-	19,063,898	
446,274	11,829,666	31,598,919	76,200,068	450,812	127,846,509	
-	17,618,496	361,765,678	46,186,920	-	444,920,057	
446,274	29,448,162	393,364,597	122,386,988	450,812	572,766,566	
-	-	150,248	-	-	23,414,265	
7,888	23,071,893	3,968,743	1,806,075	-	42,519,547	
-	-	-	-	-	361,699,411	
-	2,513,917	14,604,994	-	-	316,066,228	
145,773	44,340,364	4,150,847	44,700,460	(274,976)	116,647,122	
\$ 153,661	\$ 69,926,174	\$ 22,724,584	\$ 46,506,535	\$ (274,976)	\$ 836,932,308	

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	\$ 67,192,022	\$ 2,758,485	\$ 14,134,014	\$ 3,819,263
Operating Expenses	(69,268,344)	(2,733,364)	(14,510,966)	(3,754,011)
Operating Income (Loss)	(2,076,322)	25,121	(376,952)	65,252

Net Operating Revenues (Expenses) 233 (239,-)47.5 (88,648,744)47.5 (2)47.5 233,8849.149.0 (170,246) -47.5 (664,244) (173,663,494) (112,192,

USF Institute of

University of

USF Financing
Corporation

University
Medical Service

Health Services
Support
Organization
University
Health Services

22. Subsequent Events

On August 31, 2020, the USF Financing Corporation refinanced the Series 2018 CAMLS Bank Note, the Series 2018A Athletics Bank Note, and the Series 2018B Athletics Bank Note reducing the net interest rates from 3.51 percent, 3.46 percent, and 3.51 percent, respectively, to 2.25 percent. The reduction in interest rates will save \$2.1 million in interest costs over the remaining 10 years to maturity for all three Series of Bank Notes. These transactions do not impact the financial statements for the year ended June 30, 2020.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2019 (1)	2018 (1)	2017 (1)	2016 (1)
University's proportion of the total other				

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
University's proportion of the FRS net pension liability	0.844746094%	0.829635447%	0.775094790%	0.763712910%
University's proportionate share of the FRS net pension liability	\$ 290,918,794	\$ 249,890,497	\$ 229,267,838	\$ 192,838,109
University's covered payroll (2)	\$ 566,991,383	\$ 539,620,556	\$ 512,542,210	\$ 490,228,479
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	51.31%	46.31%	44.73%	39.34%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required FRS contribution	\$ 27,147,192	\$ 26,352,406	\$ 23,643,944	\$ 20,316,942
FRS contributions in relation to the contractually required contribution	<u>(27,147,192)</u>	<u>(26,352,406)</u>	<u>(23,643,944)</u>	<u>(20,316,942)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 576,330,586	\$ 566,991,383	\$ 539,620,556	\$ 512,542,210
FRS contributions as a percentage of covered payroll	4.71%	4.65%	4.38%	3.96%

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

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

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
University's proportion of the HIS net pension liability	0.759945329%	0.744056081%	0.734647326%	0.726023325%
University's proportionate share of the HIS net pension liability	\$ 85,030,277	\$ 78,751,731	\$ 78,551,882	\$ 84,615,011
University's covered payroll (2)	\$ 250,178,460	\$ 238,582,447	\$ 229,109,865	\$ 220,376,032
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.99%	33.01%	34.29%	38.40%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.63%	2.15%	1.64%	0.97%

(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>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required HIS contribution	\$ 4,271,595	\$ 4,160,779	\$ 4,035,035	\$ 3,803,232
HIS contributions in relation to the contractually required HIS contribution	<u>(4,271,595)</u>	<u>(4,160,779)</u>	<u>(4,035,035)</u>	<u>(3,803,232)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 252,048,838	\$ 250,178,460	\$ 238,582,447	\$ 229,109,865
HIS contributions as a percentage of covered payroll	1.69%	1.66%	1.69%	1.66%

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

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

<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.706815530%	0.668866670%	0.662647783%
\$ 72,084,066	\$ 62,540,666	\$ 57,692,202
\$ 208,898,281	\$ 194,843,828	\$ 189,351,023
34.51%	32.10%	30.47%
0.50%	0.99%	1.78%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 3,647,462	\$ 2,701,889	\$ 2,291,312
<u>(3,647,462)</u>	<u>(2,701,889)</u>	<u>(2,291,312)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 220,376,032	\$ 208,898,281	\$ 194,843,828
1.66%	1.29%	1.18%

NOTES TO

AUDITOR GENERAL STATE OF FLORIDA

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Auditor General

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Fax: (850) 488-6975

misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions