Report No. 2023-069
December 2022

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2022

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

UNIVERSITY OF SOUTH FLORIDA

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SUMMARY

Summary of Report on the Audit of the 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 obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit 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 University's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time,
- 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.

procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that MANAGEMENT'S DISCUSSION AND ANALYSIS , the Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability , Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan , Schedule of University Contributions – Florida Retirement System Pension Plan , Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan , Schedule of University Contributions – Health Insurance Subsidy Pension Plan , and Notes to Required Supplementary Information , be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited s.3(anc whi duinan)5 dol-rot25.9f 9 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
December 15, 2022

performed in accordance with *Government Auditing St*

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, 2022, 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, 2022, and June 30, 2021.

FINANCIAL HIGHLIGHTS

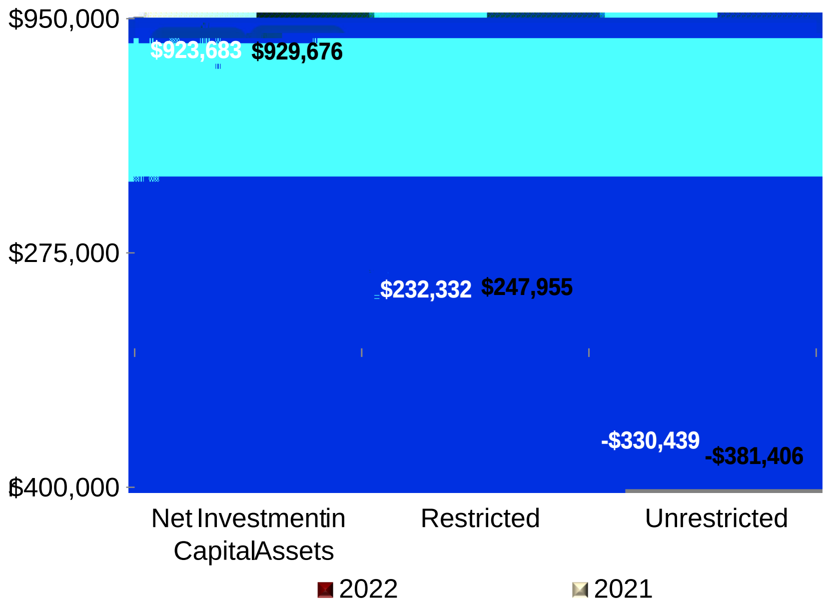
The University's assets and deferred outflows of resources totaled $2.6 billion at June 30, 2022. This balance reflects a $14 million, or 0.5 percent, increase as compared to the 2020-21 fiscal year, resulting from increases in cash and investments as well as nondepreciable capital assets, partially offset by decreases in deferred outflows related to pensions and other postemployment benefits (OPEB). While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources decreased by $15.4 million, or 0.8 percent, totaling $1.8 billion at June 30, 2022, resulting from a decrease in the net pension liability, partially offset by increases in deferred inflows related to pensions, OPEB payable, right-to-use leases payable, and accounts payable. As a result, the University's net position increased by $29.4 million, resulting in a year-end balance of $825.6 million.

The University's operating revenues totaled $894.2 million for the 2021-22 fiscal year, representing a 12.4 percent increase compared to the 2020-21 fiscal year due mainly to increases in sales and services of auxiliary enterprises, net student tuition and fees, and grants and contracts. Operating expenses totaled $1.53 billion for the 2021-22 fiscal year, representing an increase of 0.6 percent as compared to the 2020-21 fiscal year due mainly to increases in services and supplies and scholarships, fellowships, and waivers, partially offset by a decrease in compensation and employee benefits.

Net position represents the residual interest in the University's assets and deferred outflows of resources

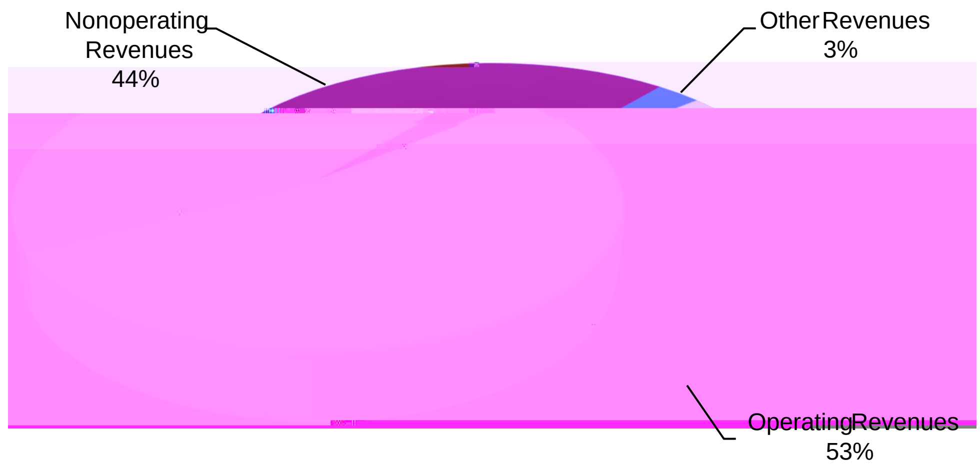
Net Position

(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2021-22 fiscal year:

Total Revenues
2021-22 Fiscal Year



OVERVIEW OF FINANCIAL STATEMENTS

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

Blended Component Unit:

- University of South Florida Health Sciences Center Self-Insurance Program

Discretely Presented Component Units:

- University of South Florida Foundation, Inc.
- University of South Florida Alumni Association, Inc.
- USF Health Professions Conferencing Corporation
- University of South Florida Institute of Applied Engineering, Inc.
- University of South Florida Medical Services Support Corporation
- Sun Dome, Inc.
- University of South Florida Research Foundation, Inc.
- USF Financing Corporation
- USF Property Corporation
- University Medical Service Association, Inc.
- University of South Florida Health Service Support Organization, Inc.

Condensed Statement of Net Position at June 30

(In Thousands)

	2022	2021
Assets		
Current Assets	$ 950,529	$ 916,757
Capital Assets, Net	1,316,570	1,286,404
Other Noncurrent Assets	102,174	87,995
Total Assets	2,369,273	2,291,156
Deferred Outflows of Resources	276,917	341,078
Liabilities		
Current Liabilities	189,852	147,743
Noncurrent Liabilities	1,063,239	1,334,705
Total Liabilities	1,253,091	1,482,448
Deferred Inflows of Resources	567,523	353,561
Net Position		
Net Investment in Capital Assets	923,683	929,676
Restricted	232,332	247,955

leases payable ($4.8 million), compensated absences payable ($2.3 million), and OPEB Payable ($1.1 million).

Noncurrent liabilities decreased $271.5 million due to a $295.1 million decrease in the noncurrent portion of the net pension liability. The decrease in the net pension liability was primarily due to actual investment performance of 29.5 percent versus the long-term annual investment return assumption of 6.8 percent for the Florida Retirement system (FRS) Pension Plan. As a result, the funded status of the plan increased from 78.85 percent to 96.4 percent. Further contributing to the decrease in noncurrent liabilities was the reclassification of $18.5 million of noncurrent revenue received in advance to deferred inflows from leases due to the implementation of GASB Statement No. 87. These decreases were partially offset by a $24.3 million increase in the noncurrent portion of right-to-use leases payable and a $23.3 million increase in the noncurrent portion of OPEB Payable. The increase in right-to-use leases payable was due to the implementation of GASB Statement No. 87, and the increase in OPEB Payable was the result of a change in the discount rate from 2.66 percent to 2.18 percent as well as an increase in the University's proportionate share of the liability.

Deferred inflows of resources increased $214 million due to a $213.6 million increase in deferred inflows related to pensions, primarily as a result of greater than projected investment earnings in the FRS pension plan. Deferred inflows from leases also increased $24.3 million due to the implementation of GASB Statement No. 87. That increase was largely offset by a $21.3 million decrease in deferred inflows related to OPEB as the amortization of prior year deferred inflows to OPEB expense exceeded the current year deferred inflows due to changes in assumptions.

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 2021-22 and 2020-21 fiscal years:

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

(In Thousands)

	2021-22	2020-21
Operating Revenues	$ 894,157	$ 795,363
Less, Operating Expenses	1,533,588	1,524,073
Operating Loss	(639,431)	(728,710)
Net Nonoperating Revenues	621,450	687,754
Loss Before Other Revenues	(17,981)	(40,956)
Other Revenues	47,332	17,575
Net Increase (Decrease) In Net Position	29,351	(23,381)
Net Position, Beginning of Year	796,225	819,606
Net Position, End of Year		

Operating Revenues

(In Thousands)

University operating revenues increased by $98.8 million, or 12.4 percent. Net student tuition and fees increased by $20.4 million due to a $10.6 million increase in gross student tuition and fees and a $9.8 million decrease in scholarship allowances. Gross tuition and fees increased primarily as a result of increases in revenue from out-of-state tuition and self-funded fees. Scholarship allowances decreased as a result of decreases in University resources provided as financial aid, which coincide with a significant increase in financial aid provided by Federal Higher Education Emergency Relief Funds (HEERF). Grants and contracts increased by $30.1 million as a result of increases in Federal grants and contracts ($16.6 million), State grants and contracts ($4.4 million), and nongovernmental grants and

of GASB Statement No. 68 pension accounting, primarily resulting from greater than projected investment earnings of the FRS pension plan.

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 2021-22 and 2020-21 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
State Noncapital Appropriations	$ 437,920	$ 437,246
Federal and State Student Financial Aid	207,653	182,340
Noncapital Grants and Donations	86,694	68,565

Other Revenues
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
State Capital Appropriations	$ 14,751	$ 7,330
Capital Grants, Contracts, Donations, and Fees	32,581	10,245
Total	$ 47,332	$ 17,575

Total other revenues increased by $29.8 million, or 169.3 percent. This increase was largely due to a $22.3 million increase in capital grants, contracts, donations and fees from increases in transfers from USF Foundation to support the construction of aid ($207.7 million), and noncapital grants, contracts and donations ($102 million). Major uses of funds were for payments made to and on behalf of employees totaling $964.5 million, payments to suppliers totaling $328.5 million, disbursements to students for Federal Direct Student Loans totaling $187.6 million, payments to and on behalf of students for scholarships totaling $162.9 million.

Net cash used by operating activities increased by $20.2 million. Significant changes in major sources and uses of cash within operating activities were a $20.3 million increase in cash provided by student tuition and fees, a $47.7 million increase in cash provided by sales and services of auxiliary enterprises, a $25.1 million increase in payments to employees, a $60.8 million increase in payments to suppliers for goods and services, and a $23.8 million increase in payments to students for scholarships and fellowships. The increase in cash provided by student tuition and fees was due to increases in revenue from out-of-state tuition and self-funded fees as well as decreases in University resources provided as financial aid. The increase in cash provided by sales and services of auxiliary enterprises was due to recovery from the impact of the COVID-19 pandemic, especially on revenues from housing, dining, athletics, Education Abroad and the English Language Program, and parking. The increase in payments to employees was driven by increases in administrative, faculty, and temporary wages and associated benefits. The major factors in the increase in payments to suppliers were increases in grants subcontracts, dining services, travel, minor renovations and building maintenance, library resources, computer equipment, medical supplies and equipment, classroom furniture, program expenses, advertising, and education and training services. An increase in Federal HEERF aid was primarily responsible for the increase in payments to students for scholarships and fellowships.

Net cash provided by noncapital financing activities increased by $43.7 million. Significant contributors to this increase were a $25.3 million increase in cash provided by Federal and State student financial aid and a $41.7 million increase in cash provided by noncapital grants, contracts and donations, partially offset by a $13 million decrease in cash provided by operating subsidies and transfers and a $10.8 million increase in cash used by other nonoperating disbursements. Federal HEERF aid was responsible for both the increase in cash provided by Federal and State student financial aid and the increase in cash provided by noncapital grants, contracts and donations. Cash provided by operating subsidies and transfers decreased primarily as a result of elevated 2020-21 fiscal year UMSA convenience fund transfers in to bring 2019-20 fiscal year deficits current. Cash used for other nonoperating disbursements increased largely due to increases in transfers to UMSA of HEERF institutional funds for revenue losses related to COVID-19 and for Graduate Medical Education as well as an increase in net transfers to USF Financing Corporation related to Tampa student housing revenues, partially offset by a decrease in transfers to the Agency for Health Care Administration for Medicaid payments. An increase in transfers to Sun Dome, Inc. for arena operating expenses further contributed to the increase in cash used for other nonoperating disbursements.

Net cash used by capital and related financing activities decreased by $27.5 million. Significant components of this decrease were a $35.3 million increase in cash provided by capital grants, contracts, donations, and fees and a $10 million increase in cash provided by State capital appropriations, partially offset by a $21.5 million increase in cash used for the purchase or construction of capital assets. The increase in cash provided by capital grants, contracts, donations, and fees was due to increased cash transfers from the USF Foundation to support the construction of the Judy Genshaft Honors College, the

Capital Expenses and Commitments

The University's construction commitments at June 30, 2022, are as follows:

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Jennifer Condon, Vice President of Business & Finance, Deputy Chief Financial Officer and Controller, University of South Florida, 4202 East Fowler Avenue, CGS301, Tampa, Florida 33620-5800.

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

June 30, 2022

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 92,732,506	$ 41,008,423
Investments	697,486,829	156,453,921
Accounts Receivable, Net	98,852,977	114,345,560
Loans, Leases and Notes Receivable, Net	1,378,561	6,210,024
Leases Receivable from University	-	4,340,344
Due from State	28,983,373	-
Due from University	-	5,563,445
Due from Component Units	30,754,850	439,587
Inventories	241,126	1,175,183
Other Current Assets	98,851	20,950,829
Total Current Assets	950,529,073	350,487,316
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,497,893	8,141,535
Restricted Investments	90,173,422	703,997,566
Loans, Leases and Notes Receivable, Net	7,114,946	51,768,806
Leases Receivable from University	-	22,916,538
Depreciable Capital Assets, Net	1,181,371,752	125,761,523
Nondepreciable Capital Assets	106,061,508	22,504,148
Right-to-Use Leases, Net	29,137,175	16,208,662
Other Noncurrent Assets	3,387,821	332,587,910
Total Noncurrent Assets	1,418,744,517	1,283,886,688
Total Assets	2,369,273,590	1,634,374,004

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	99,828,959
Certificates of Participation Payable	-	218,842,321
Capital Improvement Debt Payable	4,210,437	-
Loans and Notes Payable	-	5,786,090
Installment Purchases Payable	219,556,821	78,202,647
Right-To-Use Leases Payable	1,428,744	13,424,017
Right-To-Use Leases Payable to Component Units	22,916,538	-
Estimated Insurance Claims Payable	30,601,157	-
Compensated Absences Payable	92,214,437	-
Federal Advance Payable	1,012,789	-
Other Noncurrent Liabilities	-	12,631,833
Dining Fee Facility Payable	4,608,533	-
Other Postemployment Benefits Payable	538,182,251	-
Net Pension Liability	148,507,608	-
Total Noncurrent Liabilities	1,063,239,315	428,715,867
Total Liabilities	1,253,091,577	539,484,730
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	207,939,175	-
Pensions	226,502,354	-
Deferred Service Concession Arrangement Receipts	108,811,325	-
Leases	24,269,707	84,218,214
Irrevocable Split-Interest Agreements	-	21,553,340
Deferred Gain on Debt Refunding	-	18,358
Other	-	350,333
Total Deferred Inflows of Resources	567,522,561	106,140,245

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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, 2022

	University	Component Units
REVENUES		

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

For the Fiscal Year Ended June 30, 2022

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 281,068,097
Grants and Contracts	435,858,466
Sales and Services of Auxiliary Enterprises	148,226,938
Interest on Loans Receivable	141,848
Payments to Employees	(964,537,591)
Payments to Suppliers for Goods and Services	(328,523,015)
Payments to Students for Scholarships and Fellowships	(162,870,270)
Payments on Self-Insurance Claims and Expenses	(1,288,963)
Loans Issued to Students	(332,401)
Collection on Loans to Students	1,077,470
Other Operating Receipts	10,949,828
Net Cash Used by Operating Activities	(580,229,593)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	437,919,986
Federal and State Student Financial Aid	207,652,765
Noncapital Grants, Contracts and Donations	102,019,486
Federal Direct Loan Program Receipts	187,601,858
Federal Direct Loan Program Disbursements	(187,601,858)
Operating Subsidies and Transfers	11,433,284
Net Change in Funds Held for Others	(297,507)
Other Nonoperating Receipts	1,156,588
Other Nonoperating Disbursements	(39,854,792)
Net Cash Provided by Noncapital Financing Activities	720,029,810
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	9,887,604
State Capital Appropriations	17,609,064
Capital Grants, Contracts, Donations and Fees	38,229,074
Purchase or Construction of Capital Assets	(68,683,742)
Principal Paid on Capital Debt and Leases	(19,956,326)
Interest Paid on Capital Debt and Leases	(11,950,888)
Principal Received on Capital Debt and Leases	21,611
Interest Received on Capital Debt and Leases	108,389
Net Cash Used by Capital and Related Financing Activities	(34,735,214)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(89,057,677)
Investment Income	7,859,880
Net Cash Used by Investing Activities	(81,197,797)
Net Increase in Cash and Cash Equivalents	23,867,206
Cash and Cash Equivalents, Beginning of Year	70,363,193
Cash and Cash Equivalents, End of Year	$ 94,230,399

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (639,430,735)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	86,032,247
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(20,553,399)
Loans and Notes Receivable, Net	745,069
Inventories	3,472
Other Assets	1,146,413
Accounts Payable	1,619,593
Salaries and Wages Payable	657,304
Deposits Payable	(56,218)
Compensated Absences Payable	2,868,419

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 Services 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 as 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 intsys9n7seSe4(syetw)727.8(-6.rk septiciphe)5.5men11. Tos9n7s(HSSO ifos9n7scuseardnng a)7sc(s)-4.1(vntit 2ien11.

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, works of art and historical treasures, other capital assets, right-to-use leased equipment, and right-to-use leased space. 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

Other Capital Assets – 3 to 20 years

Works of Art and Historical Treasures – 5 years

Right-to-Use Leased Equipment – 3 to 20 years or the term of the lease, whichever is shorter

Right-to-Use Leased Space – 10 to 40 years or the term of the lease, whichever is shorter

Leases. The University determines if an arrangement is a lease at inception. Lessee arrangements are included in lease assets and lease liabilities in the statements of net position. Lease assets represent the University's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities represent the University's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the university will exercise that option. Payments for short-term leases with a lease term of 12 mont any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. The University recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. The University has a materiality threshold of $5,000 of payments in a year for equipment leases and $75,000 of payments in a year for space leases. Short-term leases and leases under the materiality threshold are not included as lease receivables or deferred inflows on the statement of net position.

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, installment purchases payable, right-to-use leases payable, estimated insurance claims payable, compensated absences payable, Federal advances payable, dining facility fee payable, 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. Reporting Change

Governmental Accounting Standards Board Statement No. 87. The University implemented GASB Statement No. 87, *Leases*, which changes the accounting and financial reporting for leases. Under previous guidance, leases were classified as either capital or operating depending on whether the lease met any of four tests. GASB Statement No. 87 defines a lease as a contract that conveys the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Under GASB Statement No. 87, leases other than short-term leases, defined as having a maximum possible term of 12 month or less, are required to be recognized on the statement of net position. A lessee should recognize a lease liability and an intangible right-to-use leased asset, while a lessor should recognize a lease receivable and a deferred inflow of resources. Contracts that transfer ownership should be accounted for as financed purchases by the lessee or sales by the lessor.

At implementation on July 1, 2021, the University, as lessee, recognized a lease liability of $34,180,184 along with corresponding right-to-use leased equipment of $1,499,582 and right-to-use leased space of $32,680,602. In addition, $566,667 previously reported as a prepaid asset was reclassified to right-to-use leased space. The University, as lessor, recognized a lease receivable of $5,927,837 and corresponding deferred inflow of resources. In addition, $19,266,667 previously reported as revenue received in advance was reclassified to deferred inflows related to leases.

The amount of $233,207,465 previously reported as capital leases payable was associated with contracts that transfer ownership and was therefore reclassified to installment purchases payable with the implementation of GASB Statement No. 87. The $260,638,595 of property under capital leases and leasehold improvements associated with the amounts previously reported as capital leases payable was also reclassified as follows: $252,293,781 to buildings, $7,894,662 to infrastructure and other improvements, and $450,152 to furniture and equipment. Accumulated depreciation of $91,409,126 related to the previously reported property under capital leases and leasehold improvements was reclassified as follows: $87,080,737 to accumulated depreciation for buildings, $4,074,739 to accumulated depreciation for infrastructure and other improvements, and $253,650 to accumulated depreciation for furniture and equipment.

Additional information regarding leases is presented in subsequent notes.

3. 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	$ (466,987,614)
Auxiliary Funds	136,548,834
Total	$ (330,438,780)

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:

Description		University
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources		$ 523,833,893
Amount Expected to be Financed in Future Years:		
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(587,096,291)	
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(267,176,382)	
Total Amount Expected to be Financed in Future Years		(854,272,673)
Total Unrestricted Net Position		$ (330,438,780)

4. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to

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)

Quoted Prices in Active Markets for	Significant Other Observable	Significant Unobservable

University Debt Investment Maturity and Quality Ratings

Investment Type	Weighted Average Maturities	Moody's	Standard and Poor's	Fair Value
United States Treasury Securities (2)	3.39 Years	(1)	(1)	$ 22,761,659

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 presented component unit investment policies provide that the maximum amount that may be invested in the securiti

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2022, is shown in the following table:

costs, which are the total of all costs incurred by the lessor relating to the ownership, operation, and maintenance of the building and services provided tenants in the building and may include items such as taxes, insurance, utilities, maintenance, janitorial services, waste disposal, and common area expenses. The lessor reasonably estimates the operating costs that will be payable for the year, and the University pays one twelfth of its share of the estimated operating costs monthly in advance with the payment of

11. Unearned Revenue

Unearned revenue at June 30, 2022, 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, 2022, 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, 2022, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 37,210,288
Capital Appropriations	334,685
Auxiliary Prepayments	2,732,472
Total Unearned Revenue	$ 40,277,445

12. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2022, include capital improvement debt payable, installment purchases payable, right-to-use leases payable, estimated insurance claims payable, compensated absences payable, Federal advances payable, dining facility fee payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2022, is shown in the following table:

Description	Beginning Balance (1)	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 9,682,395	$ -	$ 2,703,479	$ 6,978,916	$ 2,768,479
Installment Purchases Payable	233,728,873	9,887,604	11,743,943	231,872,534	12,315,713
Right-to-Use Leases Payable	34,180,184	432,862	5,472,532	29,140,514	4,795,232
Estimated Insurance Claims Payable	32,194,347	1,063,606	1,288,963	31,968,990	1,367,833
Compensated Absences Payable	100,717,974	16,551,749	13,683,330	103,586,393	11,371,956
Federal Advance Payable	1,477,548	-	464,759	1,012,789	-
Dining Facility Fee Payable	4,659,726	-	24,851	4,634,875	26,342
Other Postemployment Benefits Payable	523,378,900	414,410,848	390,023,691	547,766,057	9,583,806
Net Pension Liability	444,632,577	81,561,686	377,212,450	148,981,813	474,205
Total Long-Term Liabilities	$ 1,384,652,524	$ 523,908,355	$ 802,617,998	$ 1,105,942,881	$ 42,703,566

(1) The beginning balances of Installment Purchases Payable and Right-to-Use Leases payable were adjusted as part of the implementation of GASB Statement No. 87 as discussed in Note 2. Amounts previously reported as Revenue Received in Advance are currently reported as deferred inflows related to leases.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2022:

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	$ 6,978,916	2.2	2026
Total Capital Improvement Debt	$21,545,000	$ 6,978,916		

(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 $6,978,916 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, transportation access fees, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $7,348,950 and principal and interest paid for the current year totaled $2,929,280. During the 2021-22 fiscal year, traffic and parking fees, and transportation access fees totaled $10,197,071 and $3,192,811, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 2,780,000	$ 154,550	$ 2,934,550
2024	1,950,000	93,390	2,043,390
2025	1,135,000	50,490	1,185,490
2026	1,160,000	25,520	1,185,520
Subtotal	7,025,000	323,950	7,348,950
Deferred Loss on Refunding	(46,084)	-	(46,084)
Total	$ 6,978,916	$ 323,950	$ 7,302,866

In addition, the University has installment purchases payable to USF Financing Corporation for debt used to finance the construction of various buildings, building improvements, and infrastructure. The USF Financing Corporation contracts were previously reported as capital leases payable pursuant to GASB Statement No. 62. As contracts that transfer ownership, they are now reported as financed sales pursuant to GASB Statement No. 87.

The underlying debt of the installment purchases payable to USF Financing Corporation as of June 30, 2022, is as follows:

	Fiscal Year Ending June 30	Total	Principal	Interest
	2023	$ 5,513,543	$ 4,795,232	$ 718,311
	2024	4,083,947	3,454,800	629,147
	2025	3,793,962	3,240,047	553,915
	2026	3,709,399	3,229,806	479,593
	2027	2,375,494	1,963,214	412,280
0	2028-2032	9,686,272	2068,,,386,010	1,963

Fiscal Year Ending June 30	Amount
2023	$ 300,000
2024	300,000
2025	300,000
2026	300,000
2027	300,000
2028-2032	1,500,000
2033-2037	1,500,000
2038-2042	1,500,000
2043-2047	1,500,000
2048-2052	1,500,000
2053-2057	1,500,000
2058-2062	1,500,000
2063-2064	600,000
Total Minimum Payments	12,600,000
Less, Amount Representing Interest	7,965,125
Present Value of Minimum Payments	$ 4,634,875

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 $547,766,057 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2021, the University's proportionate share, determined by its proportion of total benefit payments made, was

Termination – Termination rates were updated to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Millman as of July 1, 2019. Previously, rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 3 percent as of the valuation date.

Disability – Disability rates were updated to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Millman as of July 1, 2019. Previously, rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 0.5 percent as of the valuation date.

Salary Scale – Salary Increase rates were updated to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Millman as of July 1, 2019. Previously rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 0.2 percent as of the valuation date.

Active Medical Plan Election Rate – Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement at a rate of 47 percent. For those who are not currently covered under the health plan, 3.7 percent are assumed to elect medical coverage in retirement. The resulting overall participation rate is 43 percent. Previously, the overall participation rate was 50 percent. This assumption is based on guidance provided by the DSGI on June 23, 2021. This change resulted in an 8 percent decrease in the Total OPEB Liability as of the valuation date.

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 (1.18 percent) or 1 percentage point higher (3.18 percent) than the current rate:

	1% Decrease (1.18%)	Current Discount Rate (2.18%)	1% Increase (3.18%)
University's proportionate share of the total OPEB liability	$682,206,451	$547,766,057	$446,034,989

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$431,204,017	$547,766,057	$708,238,088

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

For the fiscal year ended June 30, 2022, the University recognized OPEB expense of $26,910,876. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 26,036,319
Change of assumptions or other inputs	58,912,396	181,413,059
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	99,942,402	489,797
Transactions subsequent to the measurement date	9,754,143	-
Total	$ 168,608,941	$ 207,939,175

Of the total amount reported as deferred outflows of resources related to OPEB, $9,754,143 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Bonds Payable	$ 26,595,000	$ -	$ 1,125,000	$ 25,470,000	$ 1,185,000
Certificates of Participation Payable	129,785,000	-	4,725,000	125,060,000	4,885,000
Direct Borrowings and Placements:					
Mortgage Loan Payable	3,150,164	-	240,248	2,909,916	250,910
Notes Payable	69,202,506	-	3,937,623	65,264,883	4,157,316
Certificates of Participation Payable	103,600,000	-	5,695,000	97,905,000	5,880,000
Long Term Liabilities	332,332,670	-	15,722,871	316,609,799	16,358,226
Original Issue Premium	9,650,328	-	1,566,615	8,083,713	
Total Long Term Liabilitie s	$341,982,998	$ -	$ 17,289,486	$324,693,512	

Mortgage Loan Payable .

The USF Financing Corporation had a mortgage loan payable outstanding at June 30, 2022, as follows:

Amount

Fiscal Year ending June 30	Direct Borrowing Principal	Direct Borrowing Interest
2023	$ 250,910	$ 125,059
2024	261,742	114,227
2025	273,664	102,306
2026	285,810	90,160
2027	298,495	77,475
2028-2032	1,539,295	176,176
Total Minimum Pa yments	$ 2,909,916	$ 685,403

Notes Payable .

The USF Financing Corporation had notes payable outstanding at June 30, 2022 as follows:

Descri ption	Amount of Ori ginal Issue	Amount Outstandin g	Percent of Interest Rates	Issue Date	Maturit y Date
Series 2013 Arena	$ 20,000,000	$ 14,195,000	4.78	2013	2033
Series 2018A Athletics	6,843,759	5,861,961	2.25	2020	2030
Series 2018B Athletics	9,354,110	8,077,464	2.25	2020	2031
Series 2018 CAMLS	13,857,941	11,966,614	2.25	2020	2031
Series 2019 Research Lab	27,000,000	25,163,844	3.22	2019	2039
Total	$ 77,055,810	$ 65,264,883			

Series 2013 Arena Note . On September 1, 2013, the USF Financing Corporation entered into a loan agreement with Truist Bank, evidenced by the Series 2013 Arena Taxable Promissory Note. The proceeds of the loan were used to reimburse the University of South Florida for a portion of the costs undertaken by the University to renovate the USF Arena and Convocation Center. The Series 2013 Arena Note was issued at a taxable, fixed interest 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.1(re used t

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On August 31, 2020, the USF Financing Corporation refinanced the Series 2018A and Series 2018B Athletics Notes, reducing the net interest rates from 3.46 percent and 3.51 percent, respectively, to 2.25 percent as evidenced by the Amended and Restated Promissory Notes. The Amended and Restated Series 2018A Athletics Note was issued in the amount of $6,843,759. The proceeds were used to prepay the outstanding principal of the Series 2018A Athletics Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $68,438. This amount represents the 1 percent prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow, is being charged to operations through the year 2030 using the straight-line method. At June 30, 2022, the unamortized balance of the deferred outflow was $47,211. The Amended and Restated Series 2018B Athletics Note was issued in the amount of $9,354,110. The proceeds were used to prepay the outstanding principal of the Series 2018B Athletics Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $93,541. This amount represents the 1 percent prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow, is being charged to operations through the year 2031 using the straight-line method. At June 30, 2022, the unamortized balance of the deferred outflow was $66,701. The USF Financing Corporation completed these current refunding's to reduce its total debt service payments over the next 11 years by approximately $1 million and to obtain the economic gain (the difference between the present values of the old and new debt service payments) of approximately $0.9 million.

The Series 2018A and 2018B Athletics Notes are direct borrowings from the bank. The Notes are not secured by any assets pledged as collateral. The Notes contain provisions that in an event of default the bank may accelerate payment for all principal and interest due under the Notes.

For the Series 2018A and 2018B Athletics Notes, the USF Financing Corporation entered into a Ground Lease Agreement, dated as of January 15, 2010, and amended as of March 9, 2018, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the athletics district facilities are located. The USF Financing Corporation subleased the athletics district facilities to the University until 2031, unless sooner terminated. The University makes payments to the USF Financing Corporation in an amount equal to 100 percent of principal and interest due on the notes, together with all other amounts due on the notes. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

Series 2018 CAMLS Note. On March 9, 2018, the USF Financing Corporation entered into a loan agreement with Truist Bank to refund the Series 2010 CAMLS Note, which was originally issued to finance the acquisition, construction, and equipping of the USF Center for Advanced Medical Learning and Simulation (CAMLS) facility. The loan is evidenced by the Series 2018 CAMLS Note, which was issued at a tax-exempt, fixed interest rate. The Series 2018 CAMLS Note is callable at the option of the USF Financing Corporation on any scheduled payment date at: 101 percent of principal outstanding if prepaid during the first five years of the loan; 100.5 percent if prepaid between the fifth and tenth years of the loan; and 100 percent if prepaid after the tenth anniversary of the loan.

On August 31, 2020, the USF Financing Corporation refinanced the Series 2018 CAMLS Notes, reducing the net interest rates from 3.51 percent to 2.25 percent as evidenced by the Amended and Restated Promissory Note. The Amended and Restated Series 2018 CAMLS Note was issued in the amount of $13,857,941. The proceeds were used to prepay the outstanding principal of the Series 2018 CAMLS Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $138,579. This amount represents the 1 percent prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow, is being charged to operations through the year 2031 using the straight-line method. At June 30, 2022, the unamortized balance of the deferred outflow was $98,816. The USF Financing Corporation completed these current refunding's to reduce its total debt service payments over the next 11 years by approximately $0.9 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately $0.8 million.

The Series 2018 CAMLS 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 2018 CAMLS Note, the USF Financing Corporation 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 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. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

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 in full or July 1, 2052, unless sooner terminated. The USF Research Foundation is permitted to take possession of the land and improvement upon completion of such improvements. The USF Research Foundation makes 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. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

<u>Notes Payable – Schedule of Payments</u>.

The following is a schedule of future payments payable under the loan agreements as of June 30, 2022:

	Direct Borrowing	
Fiscal Year Ending June 30	Principal	Interest
2023	$ 4,157,316	$ 2,047,980
2024	4,393,059	1,921,648
2025	4,640,557	1,785,179
2026	4,900,562	1,643,213
2027	5,178,873	1,493,631
2028-2032	25,611,664	44 -1.3085m/4 -1.312(38-6.2(8)0(0)]TJ7.0725 (

Percent Issue/

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, 2022, the unamortized balance of the deferred inflow of resources was $18,358. 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

The Series 2019 Housing Refunding Certificates 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

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 associated interest rate swap, with an equal notional amount, expired on July 1, 2016. On October 1, 2021, the Certificates were converted from tax-exempt interest rates to taxable interest rates following a Determination of Taxability, as described in the Series 2013A supplemental trust agreement. The Certificates will hold a taxable interest rate equal to 3.20 percent per annum through July 1, 2022, on which date the interest rate will adjust to 3.43 percent through July 1, 2026, the last day of the current long term rate period. 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 . The Series 2013B tax-exempt, variable rate Certificates were issued and directly placed with JP Morgan 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 Series 20-h datsSult,ratesPayerest– Sctadul5ts

Fiscal Year ending June 30	Certificates Principal	Certificates Interest	Direct Placements Principal	Direct Placements Interest
2023	$ 4,885,000	$ 5,819,250	$ 5,880,000	$ 3,966,244
2024	5,125,000	5,569,000	5,000,000	3,785,313
2025	5,665,000	5,299,250	5,140,000	3,573,424
2026	5,970,000	5,008,375	5,310,000	3,354,897
2027	6,285,000	4,702,000	5,480,000	3,129,043
2028–2032	36,585,000	18,329,500	30,215,000	11,978,580
2033–2037	38,700,000	8,439,488	35,450,000	5,083,480
2038–2042	10,445,000	3,415,350	5,430,000	124,385
2043–2047	7,815,000	1,533,900	-	-
2048–2052	3,585,000	144,700	-	-
Total Minimum Payments	125,060,000	$ 58,260,813	97,905,000	$ 34,995,366
Unamortized Premium	6,642,321		-	

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, 2022, was ($6,746,442). 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, 2022, of ($6,413,863) 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, 2022, was $7,374,344 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, 2022:

Fiscal Year Ending June 30	Interest
2023	$ 1,920,262
2024	1,822,772
2025	1,722,328
2026	1,617,944
2027	1,509,622
2028–2032	5,763,742
2033–2037	2,349,614
Total Interest Payments	$ 16,706,284

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 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The University’s FRS and HIS pension expense totaled $7,125,939 for the fiscal year ended June 30, 2022.

FRS Pension Plan

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021-22 fiscal year were:

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	10.82
FRS, Senior Management Service	3.00	29.01
FRS, Special Risk	3.00	25.89
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.34
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled $35,082,441 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the University reported a liability of $60,015,374 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The University's proportionate share of the net pension liability was based on the University's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the University's proportionate share was 0.794499064 percent, which was a decrease of 0.022558186 from its proportionate share measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of $146,075. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,286,731	$ -
Change of assumptions	41,065,494	-
Net difference between projected and actual earnings on FRS Plan investments	-	209,378,556
Changes in proportion and differences between University contributions and proportionate share of contributions	5,650,062	10,482,030
University FRS contributions subsequent to the measurement date	35,082,441	-
Total		

Asset Class	Target

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 2,977,042	$ 37,263
Change of assumptions	6,990,771	3,665,644
Net difference between projected and actual earnings on HIS Plan investments	92,745	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	2,040,399	2,938,861
University HIS contributions subsequent to the measurement date	4,122,100	-
Total	$ 16,223,057	$ 6,641,768

Class	Percent of Gross Compensation
FRS, Regular	6.30

The University's contributions to the Program totaled $30,969,900, and employee contributions totaled $17,661,170 for the 2021-22 fiscal year.

16. Construction Commitments

The University's major construction commitments at June 30, 2022, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Judy Genshaft Honors College	$ 59,231,006	$ 35,870,432	$ 23,360,574
USF Wellness Center Complex	29,951,664	13,099,558	16,852,106
USF Indoor Performance Facility	24,566,656	12,362,644	12,204,012
ESCO Projects	19,792,666	284,721	19,507,945

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.

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 Snivion to 73(U28,orida He)te Gut Divihe Staamou e 8.2(sidtr)]he Streiin

Functional Classification	Amount
Instruction	$ 396,886,310
Research	339,477,614
Public Services	15,378,789
Academic Support	149,508,129
Student Services	58,078,732
Institutional Support	94,524,362
Operation and Maintenance of Plant	74,344,566
Scholarships, Fellowships, and Waivers	162,870,270
Depreciation	86,032,247
Auxiliary Enterprises	156,410,107
Loan Operations	76,982
Total Operatin g Expenses	$ 1,533,588,108

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	

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

	Parking Facilities
Operating Revenues	$ 13,396,406
Depreciation Expense	(1,734,371)
Other Operating Expenses	(8,074,083)
Operating Income	3,587,952
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	120,141
Interest Expense	(225,801)
Net Nonoperating Expenses	(105,660)
Income Before Other Revenues	3,482,292
Transfers from Other University Funds	50,843
Increase in Net Position	3,533,135
Net Position, Beginning of Year	47,044,909
Net Position, End of Year	$ 50,578,044

Condensed Statement of Cash Flows

	Parking Facilities
Net Cash Provided (Used) by:	
Operating Activities	$ 5,088,474
Capital and Related Financing Activities	(2,962,821)
Investing Activities	(1,104,462)
Net Increase in Cash and Cash Equivalents	1,021,191
Cash and Cash Equivalents, Beginning of Year	2,555,088
Cash and Cash Equivalents, End of Year	$ 3,576,279

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 Cash Flows

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government

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23. Discretely Presented Component Units

The University has eleven discretely presented component units as discussed in Note 1. These

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

USF Financing	University	Health Services Support Organization University

24. Subsequent Events

On June 30, 2022, the University closed on a second Performance Contracting Agreement with Siemens Industry, Inc. for the purpose of replacing aging equipment, improving utility efficiency, and reducing annual maintenance costs. The related financing for this project closed with Banc of America Public Capital Corp on July 7, 2022. This Energy Service Company (ESCO) equipment purchase agreement will be accounted for as an installment purchase payable in the 2022-23 fiscal year. The University's second Siemens ESCO Project is for the amount of $9,898,672 with the stated interest rate of 2.9 percent.

On May 5, 2022, the USF Financing Corporation Board of Directors authorized the issuance of debt in an amount not to exceed $30 million to finance the costs to construct and equip a mixed-use student housing and student center facility to be located on the Sarasota-Manatee campus of the University. The University of South Florida anticipates contributing $16.5 million to pay for a significant portion of the student center portion of the project. Following the approval of the debt by the USF Board of Trustees on June 15, 2022, and approval by the Florida Board of Governors on September 14, 2022, the USF Financing Corporation Board of Directors authorized the execution of closing documents on

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

	2021	2020	2019	2018
University's proportion of the total other postemployment benefits liability	5.20%	5.09%	4.39%	4.13%
University's proportionate share of the total other postemployment benefits liability	$ 547,766,057	$ 523,378,900	$ 556,271,661	$ 435,779,000
University's covered-employee payroll	$ 575,529,744	$ 576,330,586	$ 566,991,383	$ 539,620,556
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	95.18%	90.81%	98.11%	80.76%

2017	2016
4.13%	4.07%
$ 446,394,000	$ 480,770,000
$ 512,542,210	$ 490,228,479

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

	2021 (1)	2020 (1)	2019 (1)	2018 (1)
University's proportion of the FRS net pension liability	0.794499064%	0.817057250%	0.844746094%	0.829635447%
University's proportionate share of the FRS net pension liability	$ 60,015,374	$ 354,124,653	$ 290,918,794	$ 249,890,497
University's covered payroll (2)	$ 575,529,744	$ 576,330,586	$ 566,991,383	$ 539,620,556
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	10.43%	61.44%	51.31%	46.31%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability				

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
	0.775094790%	0.763712910%	0.764319997%	0.718476151%	0.558052129%
	$ 229,267,838	$ 192,838,109	$ 98,722,179	$ 43,837,611	$ 96,065,609
	$ 512,542,210	$ 490,228,479	$ 466,345,909	$ 443,554,247	$ 431,524,683
	44.73%	39.34%	21.17%	9.88%	22.26%
	83.89%	84.88%	92.00%	96.09%	88.54%

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
	$ 23,643,944	$ 20,316,942	$ 18,547,490	$ 18,634,771	$ 15,737,677
	(23,643,944)	(20,316,942)	(18,547,490)	(18,634,771)	(15,737,677)
	$ -	$ -	$ -	$ -	$ -
	$ 539,620,556	$ 512,542,210	$ 490,228,479	$ 466,345,909	$ 443,554,247
	4.38%	3.96%	3.78%	4.00%	3.55%

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

	2021 (1)	2020 (1)	2019 (1)	2018 (1)
University's proportion of the HIS net pension liability	0.725279532%	0.741270524%	0.759945329%	0.744056081%
University's proportionate share of the HIS net pension liability	$ 88,966,439	$ 90,507,924	$ 85,030,277	$ 78,751,731
University's covered payroll (2)	$ 251,433,462	$ 252,048,838	$ 250,178,460	$ 238,582,447
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.38%	35.91%	33.99%	33.01%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.56%	3.00%	2.63%	2.15%

(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

	2022 (1)	2021 (1)	2020 (1)	2019 (1)
Contractually required HIS contribution	$ 4,122,100	$ 4,173,795	$ 4,271,595	$ 4,160,779
HIS contributions in relation to the contractually required HIS contribution	(4,122,100)	(4,173,795)	(4,271,595)	(4,160,779)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 248,319,284	$ 251,433,462	$ 252,048,838	$ 250,178,460
HIS contributions as a percentage of covered payroll	1.66%	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.

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
	0.734647326%	0.726023325%	0.706815530%	0.668866670%	0.662647783%
	$ 78,551,882	$ 84,615,011	$ 72,084,066	$ 62,540,666	$ 57,692,202
	$ 229,109,865	$ 220,376,032	$ 208,898,281	$ 194,843,828	$ 189,351,023
	34.29%	38.40%	34.51%	32.10%	30.47%
	1.64%	0.97%	0.50%	0.99%	1.78%

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
	$ 4,035,035	$ 3,803,232	$ 3,647,462	$ 2,701,889	$ 2,291,312
	(4,035,035)	(3,803,232)	(3,647,462)	(2,701,889)	(2,291,312)
	$ -	$ -	$ -	$ -	$ -
	$ 238,582,447	$ 229,109,865	$ 220,376,032	$ 208,898,281	$ 194,843,828
	1.69%	1.66%	1.66%	1.29%	1.18%

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

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

Changes of Assumptions. The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.66 percent to 2.18 percent.

In addition, retirement, termination, disability, and salary scale increase rates were updated based on those used in Milliman's July 1, 2019, actuarial valuation of the Florida Retirement System. The retiree

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of 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, 2022, and the related notes to the financial statements, which collectively comprise the University’s basic financial statements, and have issued our report thereon dated December 15, 2022, included under the heading INDEPENDENT AUDITOR’S REPORT. Our report includes a reference to other auditors who audited the financial statementsOurD.002rt inr.7(s to)5.-5.74.0 c3.337Eq-1.43- 3w[740s, entsOurve/Tof-.2(v i]TJ0n issut Au(stcontauditoo7(fv auditoral)53.9(ce5(stt)6.2(-.2(vel)5.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the e3(s)-ng,T0o(during re)5.mof obtainingmate