STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2016-128
March 2016

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Judy L. Genshaft served as President and the following individuals served as Members of the Board of Trustees:

Notes: [a] Student body president.
[b] System faculty council president (equivalent to faculty senate chair referred to in Section 1001.71(1), Florida Statutes).

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

The team leader was Jenny L. Phipps and the audit was supervised by Karen J. Collington, CPA.

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

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UNIVERSITY OF SOUTH FLORIDA

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of the University of South Florida (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether the University of South Florida and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2015. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University will be presented in a separate report.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDITOR GENERAL
STATE OF FLORIDA

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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the Medical Professional Liability Self-Insurance Program, a blended component unit, represent 3.0 percent, 2.7 percent, and 0.5 percent, respectively, of the assets, net position, and revenues, reported for the University of South Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of South Florida and of its aggregate discretely presented component units as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 3 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information,** as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting

Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report 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 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 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

Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2015, 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, 2015, and June 30, 2014.

FINANCIAL HIGHLIGHTS

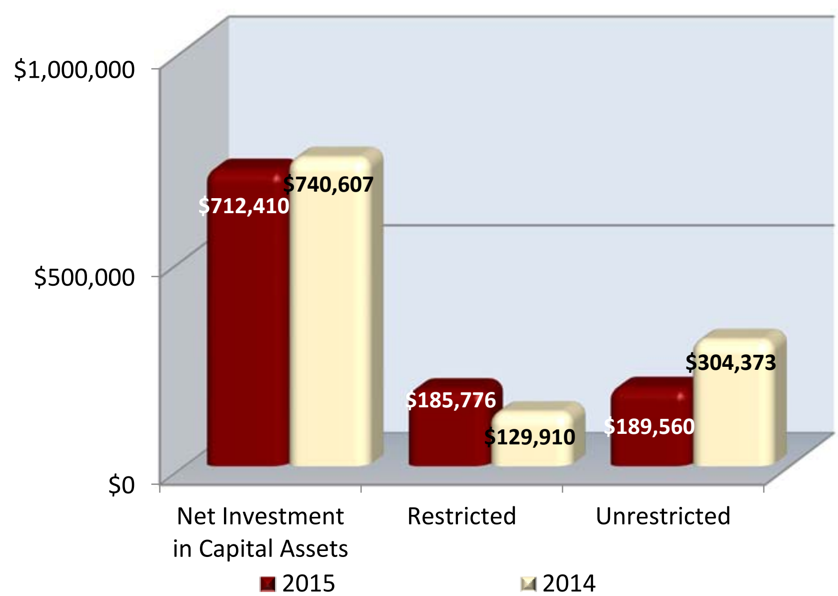
The University's assets and deferred outflows of resources totaled $1.7 billion at June 30, 2015. This balance reflects a $160.4 million, or 10.6 percent, increase as compared to the 2013-14 fiscal year. Liabilities and deferred inflows of resources increased by $247.5 million, or 72.9 percent, totaling $587.2 million at June 30, 2015, as compared to $339.7 million at June 30, 2014. As a result, the University's net position decreased by $87.1 million, resulting in a year-end balance of $1.1 billion.

The University's operating revenues totaled $756 million for the 2014-15 fiscal year, representing a 5.5 percent increase over the 2013-14 fiscal year due mainly to increases in sales and services of auxiliary enterprises, student tuition and fees, and grants and contracts. Operating expenses totaled $1.2 billion for the 2014-15 fiscal year, representing an increase of 6 percent over the 2013-14 fiscal year due mainly to an increase in compensation and employee benefits and 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, 2015, and June 30, 2014, is shown in the following graph:

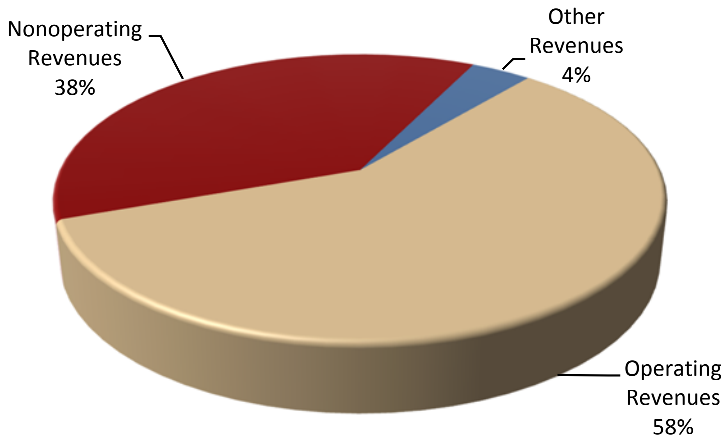
Net Position:

(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2014-15 fiscal year:

Total Revenues:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to 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:
  - Medical Professional Liability 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 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.

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2015	2014
Assets		
Current Assets	$ 719,707	$ 667,188
Capital Assets, Net	836,702	798,818
Other Noncurrent Assets	63,616	48,550
Total Assets	1,620,025	1,514,556
Deferred Outflows of Resources	54,883	-
Liabilities		
Current Liabilities	202,789	154,422
Noncurrent Liabilities	308,532	185,244
Total Liabilities	511,321	339,666
Deferred Inflows of Resources	75,841	-
Net Position		
Net Investment in Capital Assets	712,410	740,607
Restricted	185,776	129,910
Unrestricted	189,560	304,373
Total Net Position	$ 1,087,746	$ 1,174,890

Current and noncurrent cash and investments for the University increased a total of $46.4 million between the two fiscal years primarily as a result of increases in State appropriations. In addition, amounts due from the State increased by $23.6 million, primarily due to the increase in State capital appropriations.

Net capital assets increased by $37.9 million, primarily due to the transfer of the Marshall Student Center from the USF Financing Corporation to the University.

Deferred outflows of resources increased $54.9 million due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Total liabilities increased $171.7 million. Major components of this increase include increases in due to component units of $45.8 million, other postemployment benefits (OPEB) of $17 million, and a newly recognized pension liability of $106.4 million, due to the implementation of GASB Statement No. 68.

Deferred inflows of resources increased $75.8 million due to the implementation of GASB Statement No. 68.

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 2014-15 and 2013-14 fiscal years:

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

(In Thousands)

	2014-15	**2013-14**
Operating Revenues	$ 755,956	$ 716,303
Less, Operating Expenses	1,193,729	1,125,884
Operating Loss	(437,773)	(409,581)
Net Nonoperating Revenues	439,287	436,679
Income Before Other Revenues	1,514	27,098
Other Revenues	47,071	28,468
Net Increase In Net Position	48,585	55,566
Net Position, Beginning of Year	1,174,890	1,119,324
Adjustments to Beginning Net Position (1)	(135,729)	-
Net Position, Beginning of Year, as Restated	1,039,161	1,119,324
Net Position, End of Year	$ 1,087,746	$ 1,174,890

Note: (1) As discussed in Notes 2 and 3 to the financial statements, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 68.

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 2014-15 and 2013-14 fiscal years:

Operating Revenues
For the Fiscal Years

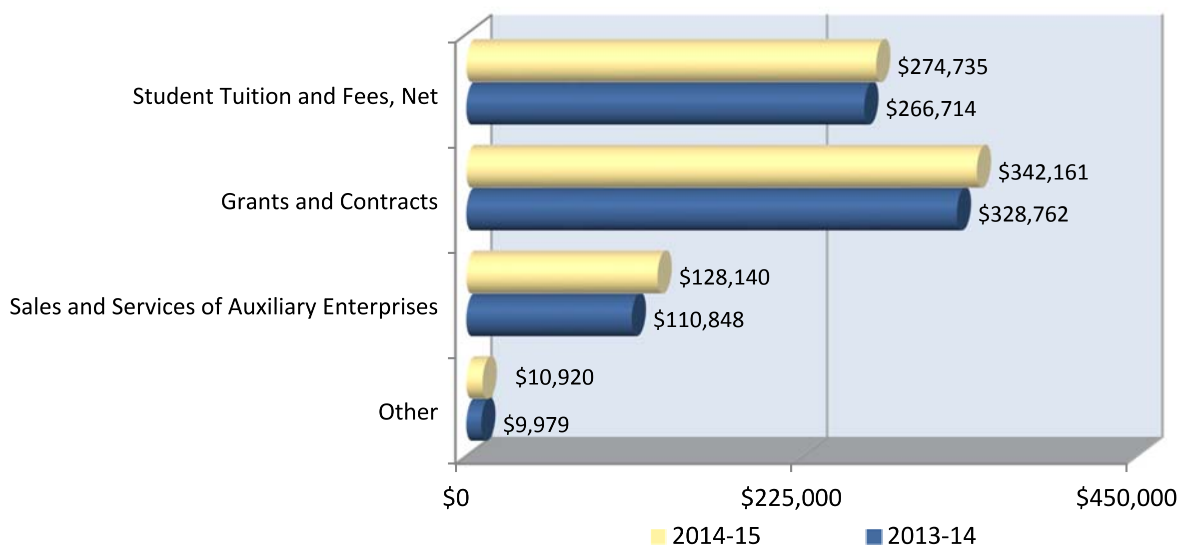
(In Thousands)

	2014-15	2013-14
Student Tuition and Fees, Net	$ 274,735	$ 266,714
Grants and Contracts	342,161	328,762
Sales and Services of Auxiliary Enterprises	128,140	110,848
Other	10,920	9,979
Total Operating Revenues	$ 755,956	$ 716,303

The following chart presents the University's operating revenues for the 2014-15 and 2013-14 fiscal years:

Operating Revenues:

(In Thousands)



University operating revenues increased by $39.7 million, or 5.5 percent. Student tuition and fees increased by $8 million due to growth in out-of-state and graduate student enrollment. Grants and contracts increased $13.4 million due to new Federal research grants and contracts and nongovernmental funding. Sales and services of auxiliary enterprises increased $17.3 million primarily due to the University assuming the role of meal plan sales for the dining service provider.

Operating Expenses

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

The following summarizes operating expenses by natural classifications for the 2014-15 and 2013-14 fiscal years:

Operating Expenses

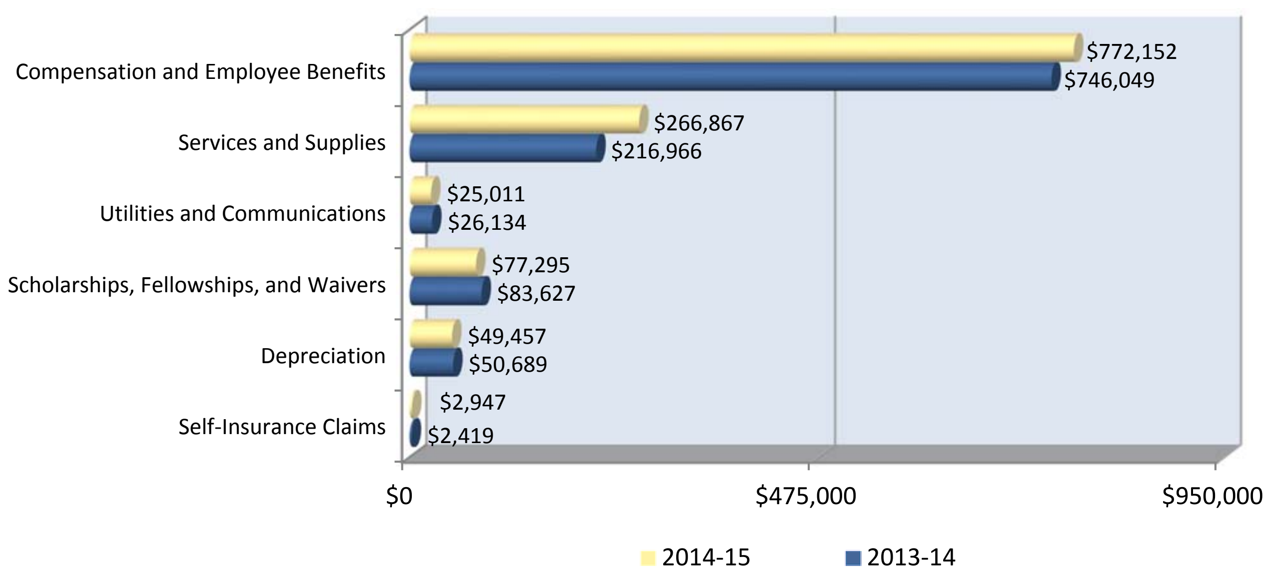
(In Thousands)

	2014-15	2013-14
Compensation and Employee Benefits	$ 772,152	$ 746,049
Services and Supplies	266,867	216,966
Utilities and Communications	25,011	26,134
Scholarships, Fellowships, and Waivers	77,295	83,627
Depreciation	49,457	50,689
Self-Insurance Claims	2,947	2,419
Total Operating Expenses	$ 1,193,729	$ 1,125,884

The following chart presents the University's operating expenses for the 2014-15 and 2013-14 fiscal years:

Operating Expenses:

(In Thousands)



Total operating expenses increased by $67.8 million, resulting primarily from a $26.1 million increase in compensation and employee benefits and a $49.9 million increase in services and supplies. The increase in compensation and employee benefits was primarily due to expenses associated with salary and health care benefit increases, as well as increases in the accrual for compensated absences and other postemployment benefits. The increase in services and supplies was primarily due to the University assuming the role of meal plan sales and remitting the cost of meal plans to the dining service provider, increases in minor renovation costs, and increases in grant subcontracts.

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 2014-15 and 2013-14 fiscal years:

Nonoperating Revenues (Expenses):

(In Thousands)

	2014-15	2013-14
State Noncapital Appropriations	$ 352,851	$ 322,514
Federal and State Student Financial Aid	100,562	105,434
Noncapital Grants and Donations	26,897	22,255
Investment Income	6,076	27,284
Other Nonoperating Revenues	319	117
Loss on Disposal of Capital Assets	(6,282)	(5,785)
Interest on Capital Asset-Related Debt	(1,373)	(1,417)
Other Nonoperating Expenses	(39,763)	(33,723)
Net Nonoperating Revenues	$ 439,287	$ 436,679

Total net nonoperating revenues increased by $2.6 million primarily attributed to an increase of $30.3 million in State noncapital appropriations offset by a $21.2 million decrease in investment income.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2014-15 and 2013-14 fiscal years:

Other Revenues:

(In Thousands)

	2014-15	2013-14
State Capital Appropriations	$ 43,842	$ 37,511
Capital Grants, Contracts, Donations, and Fees	3,229	13,143
Required Transfers to Other SUS Universities	-	(22,186)
Total	$ 47,071	$ 28,468

Total other revenues increased by $18.6 million. This increase was primarily due to the $22.2 million decrease in required transfers to other SUS universities, which was due to the prior year conclusion of the transfer of assets of the former USF Polytechnic campus to the newly formed Florida Polytechnic University.

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2014-15 and 2013-14 fiscal years:

Condensed Statement of Cash Flows:

(In Thousands)

	2014-15	**2013-14**
Cash Provided (Used) by:		
Operating Activities	$ (372,667)	$ (327,223)
Noncapital Financing Activities	452,358	404,456
Capital and Related Financing Activities	(39,399)	3,698
Investing Activities	(42,159)	(93,865)
Net Decrease in Cash and Cash Equivalents	(1,867)	(12,934)
Cash and Cash Equivalents, Beginning of Year	47,973	60,907
Cash and Cash Equivalents, End of Year	$ 46,106	$ 47,973

Cash used for operating activities increased by $45.4 million from the prior fiscal year. Major sources of operating activities include net student tuition and fees ($271.6 million), grants and contracts ($343.6 million), and sales and services of auxiliary enterprises ($125.4 million). Included in the calculation of net cash used for operating activities are two major outflows; payments to employees ($756.7 million) and payments to suppliers ($288.3 million). The change primarily resulted from increases in cash collected from grants and contracts ($15 million) and sales and services of auxiliary enterprises ($13.9 million), offset by an increase in cash used for payments to suppliers for goods and services ($47.1 million) and payments to employees ($40.7 million).

Cash provided by noncapital financing activities, which consists primarily of $352.9 million of State noncapital appropriations, increased by $47.9 million from the 2013-14 fiscal year. The increase was primarily due to a $30.3 million increase in State noncapital appropriations, a $5.2 million decrease in operating subsidies and transfers, and a $14.4 million decrease in other nonoperating disbursements.

Cash provided by capital and related financing activities decreased by $43.1 million. This was primarily due to a decrease in capital grants and contracts of $11.2 million, capital subsidies and transfers of $38.3 million, and an increase in the purchase or construction of capital assets of $7.3 million.

Cash used by investing activities decreased by $51.7 million, which was attributed to a decrease in the net purchase of investments of $52.6 million.

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2015, the University had $1.4 billion in capital assets, less accumulated depreciation of $611.2 million, for net capital assets of $836.7 million. Depreciation charges for the current fiscal year totaled $49.5 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30:

(In Thousands)

	2015	**2014**
Land	$ 15,565	$ 14,785
Construction in Progress	20,930	13,323
Buildings	698,300	662,512
Infrastructure and Other Improvements	33,154	36,773
Furniture and Equipment	54,754	59,343
Library Resources	7,890	4,852
Property Under Capital Leases	171	191
Works of Art and Historical Treasures	1,361	1,236
Other Capital Assets	4,577	5,803
Capital Assets, Net	$836,702	$798,818

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

Capital Expenses and Commitments

The University's construction commitments at June 30, 2015, are as follows:

	Amount (In Thousands)
Total Committed	$ 103,680
Completed to Date	(20,930)
Balance Committed	$ 82,750

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

Debt Administration

As of June 30, 2015, the University had $25.5 million in outstanding capital improvement debt payable, installment purchases payable, and capital leases payable, representing a decrease of $2.9 million, or 10.3 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30:

(In Thousands)

	2015	2014
Capital Improvement Debt	$ 25,268	$ 28,167
Installment Purchases	110	75
Capital Leases	108	156
Total	$ 25,486	$ 28,398

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. The budget adopted by the Florida Legislature for the 2015-16 fiscal year provided an overall 4 percent increase to State universities and incorporated performance-based funding which positively impacts the proportional increase for the University of South Florida. This translated to $28.3 million in additional Educational and General Funds for the University. After two consecutive years of top tier performance ranking among peer universities, USF is well positioned to continue to benefit from the Legislature and Board of Governors' continued focus on performance-based funding.

In addition to State funding, the University receives a large share of general revenue from other sources including tuition and fees, other auxiliary operations, and grants and contracts. This diversification mitigates the impact of individual economic factors.

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, CPA, Assistant Vice President and Controller, University of South Florida, 4202 East Fowler Avenue, ALN147, Tampa, Florida 33620-5800.

University of South Florida
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2015

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 44,777,369	$ 32,825,585
Investments	521,437,543	117,344,009
Accounts Receivable, Net	74,912,562	79,451,050
Loans and Notes Receivable, Net	1,092,707	-
Due from State	66,635,883	-
Due from University	-	92,460,404
Due from Component Units	9,268,445	8,064,699
Inventories	239,645	1,302,533
Other Current Assets	1,343,234	12,692,392
Total Current Assets	719,707,388	344,140,672
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,328,561	1,133,334
Restricted Investments	58,125,412	477,093,584
Loans and Notes Receivable, Net	4,162,147	-
Depreciable Capital Assets, Net	797,833,607	309,071,406
Nondepreciable Capital Assets	38,868,197	20,038,104
Other Noncurrent Assets	-	21,407,540
Total Noncurrent Assets	900,317,924	828,743,968
Total Assets	1,620,025,312	1,172,884,640
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	54,882,912	-
Interest Rate Swap Agreement	-	1,691,644
Total Deferred Outflows of Resources	54,882,912	1,691,644
LIABILITIES		
Current Liabilities:		
Accounts Payable	23,695,332	18,517,775
Construction Contracts Payable	1,721,131	-
Salaries and Wages Payable	21,746,783	6,956,742
Deposits Payable	15,234,211	358,605
Due to University	-	9,268,445
Due to Component Units	92,460,404	8,064,699
Unearned Revenue	34,225,755	6,026,270
Other Current Liabilities	-	148,026
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	3,784,981
Certificates of Participation Payable	-	4,935,000
Capital Improvement Debt Payable	3,158,759	-
Loans and Notes Payable	-	182,353
Installment Purchase Payable	26,777	977,580
Capital Leases Payable	40,936	523,360
Estimated Insurance Claims Payable	1,961,260	-
Compensated Absences Payable	6,418,661	-
Net Pension Liability	2,099,508	-
Total Current Liabilities	202,789,517	59,743,836

University of South Florida
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2015

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	123,024,358
Certificates of Participation Payable	-	259,895,405
Capital Improvement Debt Payable	22,109,187	-
Loans and Notes Payable	-	812,974
Installment Purchase Payable	82,731	493,880
Capital Leases Payable	67,690	791,184
Estimated Insurance Claims Payable	17,468,988	-
Compensated Absences Payable	67,999,806	-
Federal Advance Payable	4,293,571	-
Other Noncurrent Liabilities	-	24,928,562
Other Postemployment Benefits Payable	92,231,000	-
Net Pension Liability	104,278,769	-
Total Noncurrent Liabilities	308,531,742	409,946,363
Total Liabilities	511,321,259	469,690,199
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	75,841,215	-
Total Deferred Inflows of Resources	75,841,215	-
NET POSITION		
Net Investment in Capital Assets	712,410,057	29,995,635
Restricted for Nonexpendable:		
Endowment	-	555,218,230
Restricted for Expendable:		
Debt Service	1,754,091	-
Loans	6,682,312	-
Capital Projects	74,322,384	-
Other	103,016,757	-
Unrestricted	189,560,149	119,672,220
TOTAL NET POSITION	$ 1,087,745,750	$ 704,886,085

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

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, 2015

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $107,340,118 ($3,131,244 Pledged for the Student Union Revenue Bonds)	$ 274,735,379	$ -
Federal Grants and Contracts	183,370,349	-
State and Local Grants and Contracts	22,431,767	-
Nongovernmental Grants and Contracts	136,359,326	53,468,135
Sales and Services of Educational Departments	96,744	-
Sales and Services of Auxiliary Enterprises ($12,071,444 Pledged for the Parking System Revenue Bonds)	128,139,973	-
Sales and Services of Component Units	-	297,588,319
Royalties and Licensing Fees	-	2,428,169
Gifts and Donations	-	69,180,470
Interest on Loans and Notes Receivable	223,780	-
Other Operating Revenues	10,598,535	46,931,387
Total Operating Revenues	755,955,853	469,596,480
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	772,151,583	223,145,526
Services and Supplies	266,866,906	172,284,864
Utilities and Communications	25,011,467	3,195,840
Scholarships, Fellowships, and Waivers	77,295,002	7,084,053
Depreciation	49,456,584	17,251,509
Self-Insurance Claims	2,947,300	-
Total Operating Expenses	1,193,728,842	422,961,792
Operating Income (Loss)	(437,772,989)	46,634,688
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	352,851,346	-
Federal and State Student Financial Aid	100,562,374	-
Noncapital Grants and Donations	26,897,457	-
Investment Income	6,076,091	13,694,264
Other Nonoperating Revenues	318,769	-
Loss on Disposal of Capital Assets	(6,282,331)	-
Interest on Capital Asset-Related Debt	(1,373,265)	(10,439,377)
Other Nonoperating Expenses	(39,763,340)	(17,766,313)
Net Nonoperating Revenues (Expenses)	439,287,101	(14,511,426)
Income Before Other Revenues	1,514,112	32,123,262
State Capital Appropriations	43,842,065	-
Capital Grants, Contracts, Donations, and Fees	3,228,748	-
Increase in Net Position	48,584,925	32,123,262
Net Position, Beginning of Year	1,174,889,647	672,762,823
Adjustment to Beginning Net Position	(135,728,822)	-
Net Position, Beginning of Year, as Restated	1,039,160,825	672,762,823
Net Position, End of Year	$ 1,087,745,750	$ 704,886,085

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

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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, 2015

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 271,573,351
Grants and Contracts	343,642,488
Sales and Services of Educational Departments	96,944
Sales and Services of Auxiliary Enterprises	125,409,296
Interest on Loans and Notes Receivable	237,470
Payments to Employees	(756,730,551)
Payments to Suppliers for Goods and Services	(288,281,333)
Payments to Students for Scholarships and Fellowships	(77,295,002)
Payments on Self-Insurance Claims and Expenses	(2,527,462)
Loans Issued to Students	(1,314,166)
Collection on Loans to Students	1,444,831
Other Operating Receipts	11,077,604
Net Cash Used by Operating Activities	(372,666,530)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	352,851,346
Federal and State Student Financial Aid	100,562,374
Noncapital Grants, Contracts, and Donations	24,852,623
Federal Direct Loan Program Receipts	252,386,862
Federal Direct Loan Program Disbursements	(252,386,862)
Operating Subsidies and Transfers	(3,027,682)
Net Change in Funds Held for Others	854,690
Other Nonoperating Receipts	318,769
Other Nonoperating Disbursements	(24,054,499)
Net Cash Provided by Noncapital Financing Activities	452,357,621
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	19,452,842
Capital Grants, Contracts, Donations and Fees	899,242
Capital Subsidies and Transfers	(18,673,292)
Purchase or Construction of Capital Assets	(36,661,430)
Principal Paid on Capital Debt and Leases	(3,158,670)
Interest Paid on Capital Debt and Leases	(1,257,776)
Net Cash Provided by Capital and Related Financing Activities	(39,399,084)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	41,673,408
Purchase of Investments	(98,353,650)
Investment Income	14,521,372
Net Cash Used by Investing Activities	(42,158,870)
Net Decrease in Cash and Cash Equivalents	(1,866,863)
Cash and Cash Equivalents, Beginning of Year	47,972,793
Cash and Cash Equivalents, End of Year	$ 46,105,930

University of South Florida
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2015

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (437,772,989)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	49,456,584
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	1,588,774
Loans and Notes Receivable, Net	130,665
Inventories	644,983
Other Assets	666,318
Accounts Payable	2,889,737
Salaries and Wages Payable	1,580,275
Deposits Payable	456,561
Unearned Revenue	(6,240,041)
Estimated Insurance Claims Payable	419,838
Compensated Absences Payable	4,857,008
Other Postemployment Benefits Payable	17,048,000
Net Pension Liability	(47,379,534)
Deferred Outflows of Resources Related to Pensions	(36,853,924)
Deferred Inflows of Resources Related to Pensions	75,841,215
NET CASH USED BY OPERATING ACTIVITIES	$ (372,666,530)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
The fair value of the Marshall Center that was transferred to the University from the USF Financing Corporation, was recognized on the statement of net position, but is not a cash transaction for the statement of cash flows.	$ 53,250,328
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (8,445,281)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 2,252,006
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net positon, but are not cash transactions for the statement of cash flows.	$ (6,282,331)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Blended Component Unit. Based on the application of the criteria for determining component units, the Medical Professional Liability Self-Insurance Program is included within the University's reporting entity as a blended component unit. The Medical Professional Liability Self-Insurance Program was created in 1972 and provides medical professional liability, comprehensive general liability, hospital professional liability, and patient's property liability covering faculty, staff, and students engaged in medical programs at the University. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following affiliated organizations (direct-support organizations) are included within the University reporting entity as discretely presented component units. An annual audit of each discretely presented component unit's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Direct Support Organizations. The University's direct-support organizations are provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011. These legally separate, 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. 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 University of South Florida Medical Services Support Corporation has been developed to provide certain non-physician personnel in support of the operation of facilities that the University owns or governs and utilizes for the education, research, and patient care programs of the College of Medicine.
- 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 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 constructing 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., a Faculty Practice Plan as provided for in Board of Governors Regulation 9.017, provides educationally oriented clinical practice settings and opportunities through which faculty members provide health and medical care to patients as an integral part of their academic activities and their employment as faculty. Because these faculty practice activities generate income, the University is authorized to regulate fees generated from faculty practice and maintain the Faculty Practice Plan for the orderly collection and distribution of fees.

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

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

The University's discretely presented component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Some follow GASB standards of accounting and financial reporting, and others follow 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 accounted for as reductions of expenses and not revenues of those departments.

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

The statement of net 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 differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered 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 leases, works of art and historical treasures; and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $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 Leases – 7 to 10 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 purchase payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advance 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 position 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's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, 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

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The University participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

3. Adjustment to Beginning Net Position

The beginning net position of the University was decreased by $135,728,822 due to the adoption of a new GASB Pronouncement, Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the University to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit plans.

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 Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University's investments at June 30, 2015, are reported at fair value, as follows:

Investment Type	Amount
United States Treasury Securities	$ 13,390,104
Obligations of United States Government	
Agencies and Instrumentalities	1,504,707
Bonds and Notes	17,514,974
Stocks and Other Equity Securities	11,263,856
Hedge Funds	26,920,704
Mutual Funds	
Equities	99,441,947
Bonds	331,920,371
Money Market	77,606,292
Total University Investments	$ 579,562,955

The University's discretely presented component units' investments at June 30, 2015, are reported at fair value as follows:

Investment Type	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation	University Medical Service Association, Inc.	USF Health Professions Conferencing Corporation	Total
Bonds and Notes	$ -	$ -	$ -	$ -	$15,354,349	$ -	$ 15,354,349
Stocks and Other							
Equity Securities	-	-	4,188,672	-	9,062,523	-	13,251,195
Investment							
Agreements	92,331,008	883,026	3,670,818	1,354,502	3,477,736	-	101,717,090
Mutual Funds:							
Equities	281,856,382	3,385,420	13,502,422	-	-	-	298,744,224
Bonds	121,148,576	1,421,841	8,119,351	-	-	8,280	130,698,048
Money Market	13,125,198	153,697	2,082,174	10,453,664	8,857,954	-	34,672,687
Total Component Units' Investments	$508,461,164	$ 5,843,984	$ 31,563,437	$11,808,166	$36,752,562	$ 8,280	$594,437,593

The University's investments (which include investments of its blended component unit, the Medical Professional Liability Self-Insurance Program), and investments of the University of South Florida Research Foundation, Inc. (Research Foundation), a discretely presented component unit, consisted of various debt, equity and equity-type securities, hedge funds, and equity, bond, and money market mutual funds. The University's investment policy, the Medical Professional Liability Self-Insurance Program's investment policy, and the Research Foundation's investment policy allow investments in cash and cash equivalents, equities, mutual funds, and fixed-income investments. The University's investment policy and the Research Foundation's investment policy also allow investments in hedge funds. The following risks apply to the University, Medical Professional Liability Self-Insurance Program, and Research Foundation's investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University, Medical Professional Liability Self-Insurance Program, and the Research Foundation investment policies limit the fixed-income portfolio (United States Treasury securities, United States government agency obligations, mortgage-based securities, corporate debt, State, and municipal securities investments) to a weighted-average duration of less than five years. For long-term investments, the University and Research Foundation investment policies do not limit the duration for long-term corporate notes or other direct debt obligations. The University and Research Foundation's investment policies provide for interest rate risk. The risk varies depending on the type of investment.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Medical Professional Liability Self-Insurance Program's investment policy provides that all fixed-income securities investments shall be rated in the top three rating classifications as defined by both Moody's and Standard & Poor's. The University and Research Foundation investment policies provide for credit risk. The risk varies depending on the type of investment.

The following interest rate and credit risks apply to the University, Medical Professional Liability Self-Insurance Program and Research Foundation investments in debt securities, hedge funds, and mutual funds at June 30, 2015:

University Debt Investment Maturity and Quality Ratings

	Weighted	Credit Quality Rating		
Investment Type	**Average Maturities**	**Moody's**	**Standard and Poor's**	**Fair Value**
United States Treasury Securities (2)	3.36 Years	(1)	(1)	$ 13,390,104
Obligations of United States Government Agencies and Instrumentalities (2)	1.44 Years	Aaa	AA+	1,504,707
Bonds and Notes (2)	3.48 Years	Aa1 - Baa1	AAA - BBB+	16,588,673
Bonds and Notes (2)	0.13 Years	Aaa - Aa2	Not Rated	926,301
Bond Mutual Funds (3)	2.94 Years	Not Rated	Not Rated	331,920,371
Hedge Funds (3)	Not Applicable	Not Rated	Not Rated	26,920,704
Money Market Mutual Funds (2)	38 Days	Aaa-mf	AAAm	354,129
Money Market Mutual Funds (3)	21 Days	Aaa-mf	AAAm	77,252,163
Total				$ 468,857,152

Notes: (1) Disclosure of credit risk is not required for this investment type.
(2) Medical Professional Liability Self-Insurance Program.
(3) University.

University of South Florida Research Foundation, Inc.
Investment Maturity

		Investment Maturities (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Mutual Funds					
Bonds	$ 8,119,351	$ 378,020	$ 4,248,775	$ 3,156,247	$ 336,309
Money Market	2,082,174	2,082,174	-	-	-
Total	$ 10,201,525	$ 2,460,194	$ 4,248,775	$ 3,156,247	$ 336,309

University of South Florida Research Foundation, Inc.
Quality Ratings (1)

Investment Type	**Fair Value**	**AAA**	**AA**	**A**	**Less Than A or Not Rated**
Mutual Funds					
Bonds	$ 8,119,351	$ 236,209	$ 680,489	$ 2,459,301	$ 4,743,352
Money Market	2,082,174	1,605,083	-	-	477,091
Total	$ 10,201,525	$ 1,841,292	$ 680,489	$ 2,459,301	$ 5,220,443

Note: (1) Rated by Standard and Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investments that are held by someone other than the University and not registered in their names. Investments for the University are held in counterparty accounts as custodian. The University investment policy provides for custodial credit risk. All investments for the Medical Professional Liability Self-Insurance Program are held in counterparty accounts as custodian.

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, Medical Professional Liability Self-Insurance Program, and Research Foundation investment policies provide that the maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the United States Government shall not exceed five percent of the market value of the assets of the investment portfolio, and no single corporate bond issuer shall exceed five percent of the market value of the investment portfolio. Direct investments in securities of the United States Government, Government agencies, and State of Florida Investment Pools, or Pooled Funds comprised solely of United States Government Securities are not subject to these restrictions for the University and the Research Foundation. The University did not have any investments in securities of an individual issuer or single corporate bond issue that exceeded five percent of the market value of the investment portfolio at June 30, 2015.

5. Receivables

Accounts Receivable. Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on loans receivable. As of June 30, 2015, the University reported the following amounts as accounts receivable:

Description	**Amount**
Contracts and Grants	$ 45,256,674
Student Tuition and Fees	12,820,471
Other	16,835,417
Total Accounts Receivable	$ 74,912,562

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of $13,264,958 and $2,960,231, respectively, at June 30, 2015.

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

6. Due From State

The amount due from State consists of $52,865,000 from Public Education Capital Outlay, $9,482,765 from Capital Improvement Fee Trust Fund, and $4,288,118 from lottery allocations due from the State to the University for construction of University facilities.

7. Due From and To Component Units/University

The $9,268,445 reported as due from component units consists of amounts owed to the University from the University of South Florida Research Foundation, Inc. ($5,753,624), for grant and special project-related revenue and administrative overhead rebate; from Sun Dome, Inc. ($166,247) for operating expenses; from the University of South Florida Foundation, Inc. ($2,327,313), primarily for salary support and the Alec P. Courtelis Facility Matching Gift fund; from the USF Health Professions Conferencing Corporation ($972,778) for program residuals; and from the University of South Florida Alumni Association, Inc. ($48,483) for payroll and other expenses.

The $92,460,404 reported as due to component units represents amounts owed by the University to the USF Financing Corporation for the construction and financing of buildings and pledged revenues ($89,141,110); to the University Medical Service Association, Inc. ($3,297,014) for deposits made to support the funding of salaries and other operating expenses at USF Health; and to the University of South Florida Medical Services Support Corporation ($22,280) for payroll expenses.

8. Inventories

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net position.
- Merchandise Inventory – Those inventories maintained that are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net position, and are valued at cost using either the moving average method or the first-in, first-out method.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

Description	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 14,785,490	$ -	$ 779,238	$ -	$ 15,564,728
Works of Art and Historical Treasures	1,229,089	-	42,000	71,000	1,200,089
Other Capital Assets	1,173,750	-	-	-	1,173,750
Construction in Progress	13,322,830	-	21,611,987	14,005,187	20,929,630
Total Nondepreciable Capital Assets	$ 30,511,159	$ -	$ 22,433,225	$ 14,076,187	$ 38,868,197
Depreciable Capital Assets:					
Buildings	$ 1,065,027,670	$ 63,967,180	$ 14,003,313	$ 3,610,779	$ 1,139,387,384
Infrastructure and Other Improvements	72,206,330	-	2,783,920	10,239,868	64,750,382
Furniture and Equipment	162,554,525	-	10,290,666	9,800,881	163,044,310
Library Resources	16,603,887	-	4,345,483	5,880,154	15,069,216
Property Under Capital Leases	228,037	-	-	-	228,037
Works of Art and Historical Treasures	144,599	-	180,001	-	324,600
Other Capital Assets	26,541,967	-	446,319	802,190	26,186,096
Total Depreciable Capital Assets	1,343,307,015	63,967,180	32,049,702	30,333,872	1,408,990,025
Less, Accumulated Depreciation:					
Buildings	402,516,196	10,716,852	30,072,194	2,217,398	441,087,844
Infrastructure and Other Improvements	35,433,220	-	2,828,551	6,665,345	31,596,426
Furniture and Equipment	103,211,185	-	13,673,925	8,594,782	108,290,328
Library Resources	11,751,968	-	1,306,068	5,879,304	7,178,732
Property Under Capital Leases	36,998	-	19,804	-	56,802
Works of Art and Historical Treasures	137,433	-	26,000	-	163,433
Other Capital Assets	21,913,215	-	1,530,042	660,404	22,782,853
Total Accumulated Depreciation	575,000,215	10,716,852	49,456,584	24,017,233	611,156,418
Total Depreciable Capital Assets, Net	$ 768,306,800	$ 53,250,328	$ (17,406,882)	$ 6,316,639	$ 797,833,607

Note: (1) Adjustments to capital assets resulted from the transfer of the Marshall Center facility from the USF Financing Corporation due to the conversion of Series 2005C certificates of participation to Series 2015 revenue bonds, thereby terminating the ground lease related to the property.

10. Unearned Revenue

Unearned revenue 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, 2015, 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, 2015, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 31,761,198
Capital Appropriations	976,283
Auxiliary Prepayments	1,488,274
Total Unearned Revenue	$ 34,225,755

11. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2015, include capital improvement debt payable, installment purchase payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advance payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 28,167,456	$ -	$ 2,899,510	$ 25,267,946	$ 3,158,759
Installment Purchase Payable	74,731	142,002	107,225	109,508	26,777
Capital Leases Payable	156,252	-	47,626	108,626	40,936
Estimated Insurance Claims Payable	19,010,410	2,947,300	2,527,462	19,430,248	1,961,260
Compensated Absences Payable	69,561,459	10,719,973	5,862,965	74,418,467	6,418,661
Federal Advance Payable	4,371,552	-	77,981	4,293,571	-
Other Postemployment Benefits Payable	75,183,000	19,790,000	2,742,000	92,231,000	-
Net Pension Liability (1)	153,757,811	46,490,669	93,870,203	106,378,277	2,099,508
Total Long-Term Liabilities	$ 350,282,671	$ 80,089,944	$ 108,134,972	$ 322,237,643	$ 13,705,901

Note: (1) The beginning balance resulted from the Implementation of GASB Statement No. 68. See Notes 2 and 3 to the financial statements.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2015:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Capital Improvement Debt:				
1994 Bookstore	$ 8,090,000	$ 676,389	6.00	2016
2002 Parking	12,700,000	6,248,664	4.375 to 4.75	2023
2004A Parking	16,000,000	7,185,326	3.625 to 5.00	2024
2006A Parking	17,020,000	11,157,567	4.10 to 5.00	2026
Total Capital Improvement Debt	$ 53,810,000	$ 25,267,946		

Note: (1) Amount outstanding includes unamortized discounts and premiums.

The University has pledged a portion of future traffic and parking fees and various student fee assessments to repay $25,267,946 in capital improvement (parking and bookstore) 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 and a bookstore facility. The bonds are payable solely from traffic and parking fees, transportation access fees, and bookstore revenue and are payable through 2026. The University has committed to appropriate each year from the traffic and parking fees, transportation access fees, and bookstore revenue, amounts sufficient to cover the principal and interest requirements on the debt.

Total principal and interest remaining on the debt is $31,349,471, and principal and interest paid for the current year totaled $4,273,279. During the 2014-15 fiscal year, traffic and parking fees, transportation access fees, and bookstore revenue totaled $10,665,168, $3,131,244, and $1,406,276, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 3,165,000	$ 1,115,629	$ 4,280,629
2017	2,225,000	954,766	3,179,766
2018	2,315,000	863,924	3,178,924
2019	2,415,000	768,299	3,183,299
2020	2,515,000	667,211	3,182,211
2021-2025	11,410,000	1,633,617	13,043,617
2026	1,245,000	56,025	1,301,025
Subtotal	25,290,000	6,059,471	31,349,471
Net Discounts and Premiums	(22,054)	-	(22,054)
Total	$ 25,267,946	$ 6,059,471	$ 31,327,417

Installment Purchase Payable. The University has entered into an installment purchase agreement for the purchase of equipment reported at $142,002. The stated interest rate was 2.2 percent. Future minimum payments remaining under the installment purchase agreement and the present value of the minimum payments as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 28,821
2017	28,821
2018	28,822
2019	28,821
Total Minimum Payments	115,285
Less, Amount Representing Interest	5,777
Present Value of Minimum Payments	$ 109,508

Capital Leases Payable. The University has entered into capital lease agreements for equipment in the amount of $228,037. The imputed interest rates range from zero percent to 10.2 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 45,852
2017	35,981
2018	35,981
Total Minimum Payments	117,814
Less, Amount Representing Interest	9,188
Present Value of Minimum Payments	$ 108,626

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $74,418,467. The current portion of the compensated absences liability, $6,418,661, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

Federal Advance Payable. Represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or has excess cash in the loan program. Federal capital contributions held by the University totaled $4,293,571.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. 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, an agent multiple-employer defined benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2014-15 fiscal year, 944 retirees received postemployment healthcare benefits. The University provided required contributions of $2,742,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $6,390,000, which represents 1.3 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 11,046,000
Amortization of Unfunded Actuarial Accrued Liability	7,597,000
Interest on Normal Cost and Amortization	746,000
Annual Required Contribution	19,389,000
Interest on Net OPEB Obligation	3,007,000
Adjustment to Annual Required Contribution	(2,606,000)
Annual OPEB Cost (Expense)	19,790,000
Contribution Toward the OPEB Cost	(2,742,000)
Increase in Net OPEB Obligation	17,048,000
Net OPEB Obligation, Beginning of Year	75,183,000
Net OPEB Obligation, End of Year	$ 92,231,000

The University's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 20,735,000	20.3%	$ 57,446,000
2013-14	21,708,000	18.3%	75,183,000
2014-15	19,790,000	13.9%	92,231,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $247,391,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $247,391,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $501,145,195 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 49.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the University's 2014-15 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.21 percent, 7.89 percent, and 7.59 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 6.95 percent, 7.64 percent, and 7.75 percent for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 22 years.

Net Pension Liability. As a participating employer in the Florida Retirement System, the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2015, the University's proportionate share of the net pension liabilities totaled $106,378,277. Note 13 includes a complete discussion of defined benefit pension plans.

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

Certificates of Participation Series 2003A. The Series 2003A Certificates were issued pursuant to an amended and supplemented trust indenture, dated March 1, 2003, by and between the University of South Florida Foundation, Inc. (Foundation), and a trustee. The $13,200,000 Certificates were issued to finance the construction of an athletic training facility located on the University's Tampa campus pursuant to a ground lease between the University and the Foundation. The Certificates were issued as variable rate debt secured by a direct-pay letter of credit issued by the trustee. Due to downgrades of the trustee's short-term credit rating, the Certificates were remarketed at interest rates reflective of the credit quality of the trustee, causing increased interest costs. On March 15, 2011, the trustee agreed to convert the interest rate from variable to fixed and purchase the Certificates for their own account. Simultaneously with the conversion to a fixed rate, the USF Financing Corporation accepted an assignment from the Foundation of its rights, title, interest, and obligations related to the $9,905,000 outstanding Series 2003A

Certificates. The Series 2003A tax-exempt Certificates bear a fixed interest rate equal to 3.14 percent. The Series 2003A Certificates mature in 2022.

The 2003A Certificates were issued pursuant to the terms of a Trust Indenture dated as of March 1, 2003, by and between the Foundation and the Trustee, as amended and supplemented from time to time, including particularly, as supplemented by that certain First Supplement to Trust Indenture dated November 16, 2005, the Second Supplement to Trust Indenture dated as of March 8, 2011, and the Third Supplement and Amendment to Trust Indenture dated as of March 15, 2011, both by and between the Foundation and the Trustee. The project is leased by the Foundation to the University Board of Trustees pursuant to a Master Operating Lease dated as of March 1, 2003, as amended by the First Amendment to Master Operating Lease dated December 1, 2005, each by and between the Foundation, as lessor, and the University Board, as lessee.

For the Series 2003A Certificates, the Foundation has entered into a Master Ground Lease Agreement dated as of March 1, 2003, by and between the University Board of Trustees, as ground lessor, and the Foundation, as ground lessee.

Certificates of Participation Series 2010A and 2010B. On December 23, 2010, the USF Financing Corporation issued $2,860,000 Certificates of Participation Series 2010A (Tax-Exempt) and $15,140,000 Certificates of Participation Series 2010B (Build America Bonds). The proceeds of the Series 2010A and 2010B Certificates were used to (1) 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, (2) fund capitalized interest accounts, and (3) pay certain expenses related to the issuance and sale of the Series 2010A and 2010B Certificates. The Series 2010A fixed rate Certificates have interest rates ranging from 3.25 to 5 percent. As the Series 2010B fixed rate Certificates were issued under the Build America Bonds program, the net interest cost is equal to 65 percent of the gross interest rate, which is 8.35 and 8.55 percent. Pursuant to the requirements of the amended Balanced Budget and Emergency Deficit Control Act of 1985, during the 2014-15 fiscal year, the direct Federal subsidy was reduced and the net interest cost equaled 67.6 percent. The Series 2010A Certificates mature in 2020 and the Series 2010B Certificates mature in 2040.

The Series 2010A and 2010B Certificates were issued pursuant to a Master Trust Agreement dated as of May 1, 2005, as supplemented by the Series 2010 Supplemental Trust Agreement, dated December 1, 2010, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee. For the Series 2010A and 2010B Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated December 1, 2010, with the University Board of Trustees whereby the University has leased to the USF Property Corporation the land on which the Series 2010 Projects are located. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and re-let property; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Pursuant to a support agreement dated December 1, 2010, by and among the University of South Florida Foundation, Inc., the USF Property Corporation, and the USF Financing Corporation, the Foundation guaranteed to pay the deficiency between the principal and interest requirement on the Series 2010A and

2010B Certificates allocable to the student center portion and the University's activity and service fees pledged to cover the student center debt service. The principal and interest requirement associated with the student center is approximately 43 percent of the basic rent payment due under the lease agreement.

Certificates of Participation Series 2012A Remarketing (refunded Series 2012A Certificates). On May 6, 2015, the USF Financing Corporation issued $77,015,000 Series 2012A Remarketing Certificates of Participation to convert the Series 2012A Certificates of Participation from variable rate to fixed rate Certificates. The tax-exempt, fixed rate Remarketing Certificates have interest rates ranging from 2 to 5 percent and mature in 2035.

The Series 2012A Certificates were originally issued on October 1, 2012 as variable rate Certificates, to refund the Series 2005B Certificates. The Series 2005B Certificates were issued on May 25, 2005, and the proceeds were used to (1) finance the cost to lease purchase certain student housing facilities existing on the University's Tampa campus, (2) acquire, construct, and equip a housing facility and a related parking facility on the University's St. Petersburg campus, and (3) pay certain expenses related to the issuance and sale of the Series 2005B Certificates, including the financial guaranty insurance policy premium. On March 18 and 20, 2008, the USF Financing Corporation converted the Series 2005B Certificates from auction rate securities to variable rate demand bonds with weekly rate periods. The Certificates were secured by an irrevocable direct pay letter of credit.

The Series 2012A variable rate Certificates were largely hedged to limit the effect of changes in interest rates. On April 15, 2015, in connection with the reissuance of the Certificates, the USF Financing Corporation terminated the interest rate swap agreement related to these Certificates.

The Series 2012A Remarketing Certificates were issued pursuant to a Master Trust Agreement, dated May 1, 2005, as supplemented by the Series 2012A Supplemental Trust Agreement, dated October 1, 2012, and amended on April 1, 2015, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

For the Series 2012A Remarketing Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated May 1, 2005, and amended on May 1, 2015, with the University Board of Trustees whereby the University has leased to the USF Property Corporation the land on which the housing and parking facilities are located. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and relet properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Certificates of Participation Series 2012B (refunded Series 2007 Certificates – Housing). On October 1, 2012, the USF Financing Corporation issued $68,975,000 Certificates of Participation Series 2012B to refund the Series 2007 Certificates of Participation – Housing. The tax-exempt, variable rate Certificates are hedged to limit the effect of changes in interest rates. The Certificates have an interest rate of 4.35 and mature in 2037.

The proceeds derived from the issuance of the Series 2007 Certificates – Housing, issued on September 25, 2007, were used to (1) finance the cost to acquire, construct, and equip a certain housing facility on the University's Tampa campus, (2) fund a capitalized interest account, and (3) pay certain expenses related to the issuance and sale of the Series 2007 Certificates, including the financial guaranty insurance policy premium. The Series 2007 Certificates – Housing initially carried interest at auction rates for generally successive seven day auction periods. On March 24, 2008, the USF Financing Corporation converted the Series 2007 Certificates – Housing from auction rate securities to variable rate demand bonds with a weekly rate period. In connection with the conversion, the USF Financing Corporation surrendered the municipal bond insurance policy. The Series 2007 Certificates were then secured pursuant to an irrevocable direct pay letter of credit, prior to being refunded by the Series 2012B Certificates.

The Series 2012B Certificates were issued pursuant to a Master Trust Agreement, dated May 1, 2005, as supplemented by the Series 2012B Supplemental Trust Agreement, dated October 1, 2012, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee. For the Series 2012B Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated September 1, 2007, with the University Board of Trustees whereby the University has leased to the USF Property Corporation the land on which the Magnolia Residence Hall is located. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and relet properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Certificates of Participation Series 2013A (refunded Series 2006A Certificates). On September 3, 2013, the USF Financing Corporation issued $41,650,000 Certificates of Participation Series 2013A, to refund the Series 2006A Certificates of Participation. The tax-exempt, variable rate Certificates are hedged to limit the effect of changes in interest rates. The Certificates have an interest rate of 4.23 and mature in 2036.

The proceeds derived from the issuance of the Series 2006A Certificates, issued on March 16, 2006, were used to (1) finance the acquisition and construction of two fully-equipped medical office buildings consisting of the North Clinic Facility and the South Clinic Facility and (2) pay certain expenses related to the issuance and sale of the Series 2006A Certificates. The Series 2006A Certificates initially carried interest at weekly rates for generally successive seven-day weekly rate periods, and were secured pursuant to two separate irrevocable direct-pay letters of credit, prior to being refunded by the Series 2013A Certificates.

The Series 2013A Certificates were issued pursuant to a Master Trust Agreement, dated March 1, 2006, as supplemented by the Series 2013A Supplemental Trust Agreement, dated September 1, 2013, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee. For the Series 2013A Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated March 1, 2006, with the University Board of Trustees whereby the University has leased to the USF Property Corporation interest in the lands on which the North Clinic Facility and the South Clinic Facility were constructed. With respect to the South Clinic Facility site, the University Board of Trustees possesses sublease interest in the site pursuant to a sublease, dated March 15, 2006, between the University and Florida Health Science Center, Inc., d/b/a Tampa General Hospital, whereby Tampa General Hospital has subleased to the University the land on which the South Clinic Facility was constructed. The USF Financing Corporation has subleased both the North Clinic Facility and the South Clinic Facility to the University of South Florida Medical Services Support Corporation (MSSC), a direct-support organization of the University, pursuant to individual office building lease agreements, each dated March 1, 2006.

The University Medical Service Association, Inc. (UMSA), a direct-support organization of the University, has guaranteed all payments due from MSSC to the USF Financing Corporation under both Facility Lease Agreements pursuant to a Lease Guaranty, dated March 1, 2006, between UMSA and the USF Financing Corporation. The USF Financing Corporation's right to receive all payments received from MSSC under the Facility Lease Agreements and any payments required to be made by UMSA under the Lease Guaranty are collaterally assigned to the Trustee pursuant to one or more separate assignments. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and re-let properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Certificates of Participation 2013B (refunded Series 2007 Certificates – Health). On September 3, 2013, the USF Financing Corporation issued $20,855,000 Certificates of Participation Series 2013B, to refund the Series 2007 Health Certificates of Participation. The tax-exempt, variable rate Certificates are hedged to limit the effect of changes in interest rates. The Certificates have an interest rate of 4.25 and mature in 2037.

The proceeds derived from the issuance of the Series 2007 Certificates – Health, issued on November 19, 2007, were used to (1) provide funds for the purpose of financing the acquisition, construction, installation and equipping of a medical office building located on the University's Tampa Campus, (2) fund a capitalized interest account, and (3) pay certain expenses related to the issuance and sale of the 2007 Certificates. The Series 2007 Certificates – Health initially carried interest at weekly rates for generally successive seven-day weekly rate periods, and were secured pursuant to an irrevocable direct-pay letter of credit, prior to being refunded by the Series 2013B Certificates.

The Series 2013B Certificates were issued pursuant to a Master Trust Agreement, dated March 1, 2006, as supplemented by the Series 2013B Supplemental Trust Agreement, dated September 1, 2013, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee. For the Series 2013B Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated November 1, 2007, with the University Board of Trustees whereby the University has leased to the USF Property Corporation interest in the lands on which the Medical Office Building is constructed. The USF Financing Corporation has subleased the Medical Office Building to MSSC pursuant to a facility lease agreement, dated November 1, 2007.

The University Medical Service Association, Inc. (UMSA), a direct-support organization of the University, has guaranteed all payments due from MSSC to the USF Financing Corporation under the Facility Lease Agreement pursuant to a Lease Guaranty, dated November 19, 2007, between UMSA and the USF Financing Corporation. The USF Financing Corporation's right to receive all payments received from MSSC under the Facility Lease Agreement and any payments required to be made by UMSA under the Lease Guaranty are collaterally assigned to the Trustee pursuant to one or more separate assignments. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and re-let properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Certificates of Participation Series 2015A (refunded Series 2005A Certificates). On May 6, 2015, the USF Financing Corporation issued $23,640,000 Certificates of Participation Series 2015A to refund the Series 2005A Certificates of Participation. The 2015A tax-exempt, fixed rate Certificates have interest rates ranging from 2.63 to 5 percent and mature in 2023.

The proceeds of the Series 2005A Certificates, issued on May 25, 2005, were used to (1) retire or defease the University's prior housing financings, and (2) pay certain expenses related to the issuance and sale of the Series 2005A Certificates, including the financial guaranty insurance policy premium.

The Series 2015A Certificates were issued pursuant to a Master Trust Agreement, dated as of May 1, 2005, as supplemented by the Series 2015A Supplemental Trust Agreement, dated as of May 1, 2015, by and among a Trustee, the USF Property Corporation, as lessor, and the USF Financing Corporation, as lessee.

For the Series 2015A Certificates, the USF Property Corporation has entered into a Ground Lease Agreement, dated as of May 1, 2005, and amended on May 1, 2015, with the University Board of Trustees whereby the University has leased to the USF Property Corporation the land on which the housing facilities are located. All of the rights, title, and interest of the USF Property Corporation in the Ground Lease Agreement, including the right of the USF Property Corporation to receive lease payments; to use, sell, and relet properties; and to exercise remedies thereunder, have been irrevocably assigned by the USF Property Corporation to the Trustee.

Bonds Series 2015 - Marshall Center (refunded Series 2005C Certificates). On May 6, 2015, the USF Financing Corporation issued $31,595,000 Series 2015 Capital Improvement Refunding Revenue Bonds – Marshall Center to refund the Series 2005C Certificates of Participation. The tax-exempt, fixed rate Bonds have interest rates ranging from 2 to 5 percent and mature in 2036.

The proceeds derived from the issuance of the Series 2005C Certificates, issued on January 19, 2006, were used to (1) finance the construction of the Marshall Center student center, and (2) pay certain expenses related to the issuance and sale of the Series 2005C Certificates including the financial guaranty insurance policy premium.

On May 6, 2015, in connection with the refunding of the Series 2005C Certificates with the Series 2015 Marshall Center Bonds, the ground lease agreement related to the Housing facilities was amended and the Marshall Center was removed from the subject parcel. The ground lease agreement requires that any property, and improvements thereon, revert back to the University upon termination of the ground lease. Thus, on the same date, the USF Financing Corporation transferred the Marshall Center building and building improvements to the University at net book value.

Notes Series 2010A and 2010B Athletics. On January 15, 2010, and December 15, 2010, the USF Financing Corporation issued the $10,000,000 Series 2010A Taxable Promissory Note and $13,500,000 Series 2010B Taxable Promissory Note, respectively. The proceeds of the Notes were used to finance the acquisition, construction, and equipping of the athletics district facilities. The Series 2010A and 2010B fixed rate Notes have gross interest rates of 8.02 and 6.17 percent, respectively. As the Notes were issued under the Build America Bonds program, the net interest costs are equal to 65 percent of the gross interest rates. Pursuant to the requirements of the amended Balanced Budget and Emergency Deficit Control Act of 1985, during the 2014-15 fiscal year, the direct Federal subsidies were reduced and the net interest costs equaled 67.6 percent. The Series 2010A and 2010B Notes mature in 2030 and 2031, respectively.

For the Series 2010A and 2010B Notes, the USF Financing Corporation has entered into a Ground Lease Agreement, dated as of January 15, 2010, 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.

Note Series 2010 CAMLS. On December 15, 2010, the USF Financing Corporation issued the $20,000,000 Series 2010 CAMLS Taxable Promissory Note. The proceeds of the Note were used to finance the acquisition, construction, and equipping of the USF Center for Advanced Medical Learning and Simulation (CAMLS) facility. The Series 2010 Note has a gross interest rate of 6.17 percent. As the Note was issued under the Build America Bonds program, the net interest cost is equal to 65 percent of the gross interest rate. Pursuant to the requirements of the amended Balanced Budget and Emergency Deficit Control Act of 1985, during the 2014-15 fiscal year, the direct Federal subsidy was reduced and the net interest cost equaled 67.6 percent. The Series 2010 Note matures in 2031.

For the Series 2010 CAMLS Note, the USF Financing Corporation has entered into a Ground Lease Agreement, dated as of December 15, 2010, 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 USF Financing Corporation has subleased the CAMLS facility to the USF Health Professions Conferencing Corporation, a direct-support organization of the University, pursuant to a facility lease agreement.

Note Series 2013 Arena. On September 27, 2013, the USF Financing Corporation issued the $20,000,000 Series 2013 Arena Taxable Promissory Note. The proceeds of the Note 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 Note has an interest rate of 4.78 percent and matures in 2033.

Principal and Interest Payments. Principal and interest payment requirements on the long term debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 7,039,981	$ 14,370,386	$ 21,410,367
2017	11,075,998	16,137,309	27,213,307
2018	11,543,417	15,663,015	27,206,432
2019	12,017,668	15,125,940	27,143,608
2020	12,569,217	14,545,349	27,114,566
2021-2025	70,256,291	63,014,088	133,270,379
2026-2030	86,678,280	43,265,325	129,943,605
2031-2035	89,976,239	20,449,461	110,425,700
2036-2040	39,690,000	3,290,640	42,980,640
Subtotal	340,847,091	205,861,513	546,708,604
Premiums	17,557,653	-	17,557,653
Total	$ 358,404,744	$ 205,861,513	$ 564,266,257

Interest Rate Swap Agreements. To reduce the USF Financing Corporation's risk of interest rate changes with respect to the Series 2012A Certificates (refunded 2005B Certificates), on May 25, 2005, the USF Financing Corporation entered into an interest rate swap agreement with a counterparty with a total notional amount of $80,000,000. In conjunction with the issuance of the Series 2012A Remarketing Certificates, the Corporation terminated the swap agreement as of April 15, 2015.

Effective March 16, 2006, the USF Financing Corporation entered into an interest rate swap agreement with a counterparty to limit the effects of changes in interest rates on the Series 2013A Certificates (refunded Series 2006A Certificates). The initial notional amount of the swap agreement is $47,315,000. The effect of the agreement is to limit the interest expense on the total $40,450,000 principal in variable rate Series 2013A Certificates. The interest rate on the swap agreement is 3.578 percent and the swap agreement expires July 1, 2016.

Effective September 25, 2007, the USF Financing Corporation entered into an interest rate swap agreement with a counterparty to limit the effects of changes in interest rates on the Series 2012B Certificates (refunded Series 2007 Certificates – Housing). The initial notional amount of the swap agreement is $73,700,000. The effect of the agreement is to limit the interest expense on the total $65,500,000 principal in variable rate Series 2012B Certificates. The interest rate on the swap agreement, as amended on March 24, 2008, is 3.552 percent and the interest rate swap agreement expires July 1, 2037.

Effective November 19, 2007, the USF Financing Corporation entered into an interest swap agreement with a counterparty to limit the effects of changes in interest rates on the Series 2013B Certificates (refunded Series 2007 Certificates – Health). The initial notional amount of the interest rate swap agreement is $22,830,000. The effect of the agreement is to limit the interest expense on the total $20,315,000 principal in the variable rate Series 2013B Certificates. The interest rate on the swap agreement is 3.397 percent and the swap agreement expires July 1, 2018.

The interest rate swap agreements contain collateral provisions to mitigate counterparty credit risk. The collateral provisions of the interest rate swap agreement relating to the Series 2012B Certificates require the USF Financing Corporation to maintain a rating of at least Baa1 by Moody's Investors Service or BBB+ by Standard & Poor's on its Housing Certificates. The provisions require the USF Financing

Corporation to post collateral, in the form of cash or securities, for the negative valuation exposure in excess of the $10 million minimum threshold level. Additionally, the collateral provisions of the interest rate swap agreement relating to the Series 2013B Certificates, amended August 19, 2014, require the USF Financing Corporation to post collateral, in the form of cash or securities, totaling $1,000,000, regardless of fluctuations in exposure. As of June 30, 2015, the total posted collateral was $6,640,000.

The fair value of the swap agreements is the estimated amount the USF Financing Corporation would receive or pay to terminate the agreement at the reporting date, taking into account the current interest rates and the current creditworthiness of the counterparties. As of June 30, 2015, the USF Financing Corporation interest rate swap agreements had a cumulative negative fair value of $16,976,262, which represents the amount to be paid to terminate the agreements at the reporting date.

As of June 30, 2015, the USF Financing Corporation was not exposed to credit risk on its outstanding interest rate swap agreements because the agreements had a negative fair value. However, should interest rates change and the fair value of the swap agreements become positive, the USF Financing Corporation would be exposed to credit risk in the amount of the derivative's fair value.

The USF Financing Corporation is exposed to the risk (basis risk) that a mismatch occurs between the interest cost of the underlying variable rate certificates and the variable rate payment received on the associated interest rate swap agreement. The USF Financing Corporation mitigates this risk by analyzing potential debt and swap interest rate index structures to ensure an effective hedge of the cash flows and tracks the spread of certificate rates paid to the hedged rates, typically a few basis points.

The USF Financing Corporation is exposed to the risk (rollover risk) that the interest rate swap agreements or letters of credit mature prior to the termination of the variable rate debt. The USF Financing Corporation mitigates this risk by assessing, years in advance of the maturity of these items, the amount of variable rate debt then outstanding and makes provisions for extending these items. Maintaining strong credit ratings for the USF Financing Corporation and the underlying bond system plays an important role in this process.

The USF Financing Corporation is exposed to the risk (termination risk) that the interest rate swap agreements could be terminated by the counterparty. The USF Financing Corporation mitigates this risk with interest rate swap agreements that restrict termination by the counterparty and, if terminated, posted collateral assets would provide a liquid offset. The USF Financing Corporation has an option to terminate the interest rate swap agreement and, in the case of the USF Financing Corporation owing a termination payment to the counterparty, the University would use cash balances or funds provided by the refinanced transaction.

13. 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 under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the

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

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

The University's pension expense totaled $12,944,417 for the 2014-15 fiscal year for the FRS Pension Plan and the HIS Program.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of 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 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 service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost of living adjustments to eligible participants.

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
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
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is 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 2014-15 fiscal year were as follows:

Class or Plan	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk	3.00	19.82
FRS, Plan E	6.25	11.50
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The University's contributions to the Plan totaled $18,634,771 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of $43,837,611 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.718476151 percent, which was an increase of 0.160424022 from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the University recognized pension expense of $8,526,344. 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	$ -	$ 2,712,803
Change of assumptions	7,591,946	-
Net difference between projected and actual earnings on FRS pension plan investment:	-	73,128,412
Changes in proportion and differences between University FRS contributions and proportionate share of contributions	23,232,604	-
University FRS contributions subsequent to the measurement date	18,634,771	-
Total	$ 49,459,321	$ 75,841,215

The deferred outflows of resources related to pensions totaling $18,634,771, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (12,978,000)
2017	(12,978,000)
2018	(12,978,000)
2019	(12,978,000)
2020	5,304,103
Thereafter	1,591,232
Total	$ (45,016,665)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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 7.65 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 (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
University's proportionate share of the net pension liability	$ 187,499,290	$ 43,837,611	$ (75,661,490)

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

Payables to the Pension Plan. At June 30, 2015, the University reported a payable of $993,815 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $2,701,889 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the University reported a liability of $62,540,666 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The University's proportionate share of the net pension liability was based on the University's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the University's proportionate share was 0.668866670 percent, which was an increase of 0.006218887 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the University recognized pension expense of $4,418,073, related to the HIS Plan. In addition, the University reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Change of assumptions	$ 2,225,445
Net difference between projected and actual earnings on HIS pension plan investments	30,021
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	466,236
University contributions subsequent to the measurement date	2,701,889
Total	$ 5,423,591

The deferred outflows of resources related to pensions, totaling $2,701,889, resulting from University contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 441,647
2017	441,647
2018	441,647
2019	441,647
2020	434,142
Thereafter	520,972
Total	$ 2,721,702

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

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

While an experience study had not been completed for the HIS Plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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 4.29 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 (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
University's proportionate share of the net pension liability	$ 71,134,943	$ 62,540,666	$ 55,366,904

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 Systems Comprehensive Annual Financial Report.

14. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The State Board of Administration (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 of Florida 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 contribution rates, 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 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled $3,917,915 for the fiscal year ended June 30, 2015.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS Pension Plan, and 0.01 percent to cover administrative costs, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $19,786,629 and employee contributions totaled $14,058,924 for the 2014-15 fiscal year.

15. Construction Commitments

The University's construction commitments at June 30, 2015, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
USF Health Heart Institute	$ 34,381,001	$ 2,400,884	$ 31,980,117
USF St. Petersburg College of Business	15,566,483	2,087,773	13,478,710
USF Morsani College of Medicine	5,000,000	-	5,000,000
USF Health Student Wellness Center	4,790,540	373,966	4,416,574
USF Library Remodel	4,125,196	-	4,125,196
Subtotal	63,863,220	4,862,623	59,000,597
Other Projects (1)	39,816,810	16,067,007	23,749,803
Total	$ 103,680,030	$ 20,929,630	$ 82,750,400

Note: (1) Individual projects with current balance committed of less than $4 million at June 30, 2015.

16. Risk Management Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2014-15 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $54 million for named windstorm and flood losses. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

University Self-Insurance Program.

The Medical Professional Liability Self-Insurance Program provides medical professional liability, comprehensive general liability, hospital professional liability, and patient's property liability covering faculty, staff, and students engaged in medical programs at the University of South Florida.

The Program's retained risks range from payments on tort claims limited to $200,000 per claim and $300,000 per occurrence to $3 million per occurrence for professional liability up to an aggregate of $10 million for all payments made on claims arising during the fiscal year. Losses in excess of the individual and aggregate amounts, up to $15 million, are insured commercially. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Program's estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. Changes in the Program's claim liability amount for the fiscal years ended June 30, 2014, and June 30, 2015, are presented in the following table:

Fiscal Year	Claims Liabilities Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Liability End of Year
2013-14	$ 18,038,958	$ 2,419,350	$ (1,447,898)	$ 19,010,410
2014-15	19,010,410	2,947,300	(2,527,462)	19,430,248

17. Litigation

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

18. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 339,860,097
Research	263,589,687
Public Services	6,263,166
Academic Support	112,462,683
Student Services	47,798,960
Institutional Support	89,674,327
Operation and Maintenance of Plant	55,132,051
Scholarships, Fellowships, and Waivers	77,295,002
Depreciation	49,456,584
Auxiliary Enterprises	152,104,841
Loan Operations	91,444
Total Operating Expenses	$ 1,193,728,842

19. Segment Information

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

Condensed Statement of Net Position

	Parking Facility
Assets	
Current Assets	$ 11,691,306
Capital Assets, Net	40,199,015
Other Noncurrent Assets	9,389,710
Total Assets	61,280,031
Deferred Outflows of Resources	280,566
Liabilities	
Current Liabilities	2,577,021
Noncurrent Liabilities	23,340,195
Total Liabilities	25,917,216
Deferred Inflows of Resources	387,706
Net Position	
Net Investment in Capital Assets	15,607,458
Restricted - Expendable	10,232,210
Unrestricted	9,416,007
Total Net Position	$ 35,255,675

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

	Parking Facility
Operating Revenues	$ 13,803,615
Depreciation Expense	(1,781,002)
Other Operating Expenses	(8,773,942)
Operating Income	3,248,671
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	101,641
Interest Expense	(1,291,257)
Other Nonoperating Expense	(457,249)
Net Nonoperating Expenses	(1,646,865)
Increase in Net Position	1,601,806
Net Position, Beginning of Year	34,347,725
Adjustment to Beginning Net Position	(693,856)
Net Position, Beginning of Year, as Restated	33,653,869
Net Position, End of Year	$ 35,255,675

Condensed Statement of Cash Flows

	Parking Facility
Net Cash Provided (Used) by:	
Operating Activities	$ 5,098,184
Capital and Related Financing Activities	(4,104,957)
Investing Activities	(810,056)
Net Increase in Cash and Cash Equivalents	183,171
Cash and Cash Equivalents, Beginning of Year	3,298,605
Cash and Cash Equivalents, End of Year	$ 3,481,776

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

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Current Assets	$ 6,062,998	$ 713,644,390	$ -	$ 719,707,388
Capital Assets, Net	47,934	836,653,870	-	836,701,804
Other Noncurrent Assets	42,922,467	20,693,653	-	63,616,120
Total Assets	49,033,399	1,570,991,913	-	1,620,025,312
Deferred Outflows of Resources	-	54,882,912	-	54,882,912
Liabilities:				
Current Liabilities	2,012,414	200,777,103	-	202,789,517
Noncurrent Liabilities	17,468,988	291,062,754	-	308,531,742
Total Liabilities	19,481,402	491,839,857	-	511,321,259
Deferred Inflows of Resources	-	75,841,215	-	75,841,215
Net Position:				
Net Investment in Capital Assets	47,934	712,362,123	-	712,410,057
Restricted - Expendable	29,504,063	156,271,481	-	185,775,544
Unrestricted	-	189,560,149	-	189,560,149
Total Net Position	$ 29,551,997	$ 1,058,193,753	$ -	$ 1,087,745,750

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

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total
Operating Revenues	$ 6,066,281	$ 750,571,165	$ (681,593)	$ 755,955,853
Depreciation Expense	(11,308)	(49,445,276)	-	(49,456,584)
Other Operating Expenses	(5,867,003)	(1,139,086,848)	681,593	(1,144,272,258)
Operating Income (Loss)	187,970	(437,960,959)	-	(437,772,989)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	1,369,970	485,336,067	-	486,706,037
Interest Expense	-	(1,373,265)	-	(1,373,265)
Other Nonoperating Expense	-	(46,045,671)	-	(46,045,671)
Net Nonoperating Revenues	1,369,970	437,917,131	-	439,287,101
Other Revenues	-	47,070,813	-	47,070,813
Increase in Net Position	1,557,940	47,026,985	-	48,584,925
Net Position, Beginning of Year	27,994,057	1,146,895,590	-	1,174,889,647
Adjustment to Beginning Net Position	-	(135,728,822)	-	(135,728,822)
Net Position, Beginning of Year, as Restated	27,994,057	1,011,166,768	-	1,039,160,825
Net Position, End of Year	$ 29,551,997	$ 1,058,193,753	$ -	$ 1,087,745,750

Condensed Statement of Cash Flows

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total
Net Cash Provided (Used) by:				
Operating Activities	$ 1,825,024	$ (374,491,554)	$ -	$ (372,666,530)
Noncapital Financing Activities	-	452,357,621	-	452,357,621
Capital and Related Financing Activities	-	(39,399,084)	-	(39,399,084)
Investing Activities	(3,057,216)	(39,101,654)	-	(42,158,870)
Net Decrease in Cash and Cash Equivalents	(1,232,192)	(634,671)	-	(1,866,863)
Cash and Cash Equivalents, Beginning of Year	2,523,321	45,449,472	-	47,972,793
Cash and Cash Equivalents, End of Year	$ 1,291,129	$ 44,814,801	$ -	$ 46,105,930

21. Discretely Presented Component Units

The University has nine discretely presented component units as discussed in Note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

Condensed Statement of Net Position

	Direct-Support Organizations								
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	University of South Florida Medical Services Support Corporation	Sun Dome, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	Total
Assets:									
Current Assets	$ 117,839,701	$ 913,116	$ 3,297,953	$ 9,421,917	$ 1,342,672	$ 13,925,777	$ 113,242,695	$ 84,156,841	$ 344,140,672
Capital Assets, Net	10,576,126	-	5,303,246	3,094,245	860,348	48,509,698	257,275,552	3,490,295	329,109,510
Other Noncurrent Assets	439,415,137	5,265,749	14,423	17,465	-	30,033,551	11,808,166	13,079,967	499,634,458
Total Assets	567,830,964	6,178,865	8,615,622	12,533,627	2,203,020	92,469,026	382,326,413	100,727,103	1,172,884,640
Deferred Outflows of Resources	-	-	-	-	-	1,691,644	-	-	1,691,644
Liabilities:									
Current Liabilities	6,598,423	1,981,867	6,893,142	4,962,702	1,101,779	9,211,716	12,628,245	16,365,962	59,743,836
Noncurrent Liabilities	5,995,394	-	1,109,715	517,966	687,233	33,246,644	368,341,025	48,386	409,946,363
Total Liabilities	12,593,817	1,981,867	8,002,857	5,480,668	1,789,012	42,458,360	380,969,270	16,414,348	469,690,199
Net Position:									
Net Investment in Capital Assets	4,432,706	-	2,883,663	2,727,824	53,115	16,408,032	-	3,490,295	29,995,635
Restricted	545,683,830	972,295	449,105	-	-	-	-	8,113,000	555,218,230
Unrestricted	5,120,611	3,224,703	(2,720,003)	4,325,135	360,893	35,294,278	1,357,143	72,709,460	119,672,220
Total Net Position	$ 555,237,147	$ 4,196,998	$ 612,765	$ 7,052,959	$ 414,008	$ 51,702,310	$ 1,357,143	$ 84,312,755	$ 704,886,085

Note: (1) The USF Financing Corporation's and USF Property Corporation's financial statements were consolidated due to the USF Financing Corporation's ongoing economic interest in the USF Property Corporation and its ability to control the activities of the USF Property Corporation through common boards of directors.

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

	Direct-Support Organizations								
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	University of South Florida Medical Services Support Corporation	Sun Dome, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	Total
Operating Revenues	$ 65,540,033	$ 2,552,238	$ 24,471,135	$ 69,983,313	$ 7,077,401	$ 11,900,783	$ 55,144,856	$ 232,926,721	$ 469,596,480
Operating Expenses	(65,291,475)	(2,495,248)	(24,100,571)	(64,444,279)	(6,080,970)	(8,486,971)	(31,529,139)	(220,533,139)	(422,961,792)
Operating Income	248,558	56,990	370,564	5,539,034	996,431	3,413,812	23,615,717	12,393,582	46,634,688
Net Nonoperating Revenues (Expenses)	14,274,031	49,484	(1,477,671)	(4,249,783)	(424,653)	(797,947)	(22,053,583)	168,696	(14,511,426)
Increase (Decrease) in Net Position	14,522,589	106,474	(1,107,107)	1,289,251	571,778	2,615,865	1,562,134	12,562,278	32,123,262
Net Position, Beginning of Year	540,714,558	4,090,524	1,719,872	5,763,708	(157,770)	49,086,445	(204,991)	71,750,477	672,762,823
Net Position, End of Year	$ 555,237,147	$ 4,196,998	$ 612,765	$ 7,052,959	$ 414,008	$ 51,702,310	$ 1,357,143	$ 84,312,755	$ 704,886,085

Note: (1) The USF Financing Corporation's and USF Property Corporation's financial statements were consolidated due to the USF Financing Corporation's ongoing economic interest in the USF Property Corporation and its ability to control the activities of the USF Property Corporation through common boards of directors.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress –
Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	$ -	$ 166,372,000	$ 166,372,000	0%	$ 408,028,356	40.8%
7/1/2011	-	230,266,000	230,266,000	0%	463,709,057	49.7%
7/1/2013	-	247,391,000	247,391,000	0%	482,063,719	51.3%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

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

	2014 (1)	**2013** (1)
University's proportion of the FRS net pension liability	0.718476151%	0.558052129%
University's proportionate share of the FRS net pension liability	$ 43,837,611	$ 96,065,609
University's covered-employee payroll (2)	$ 443,554,247	$ 431,524,683
University's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	9.88%	22.26%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.09%	88.54%

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

(2) Covered-employee 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

	2015 (1)	**2014** (1)
Contractually required FRS contribution	$ 18,634,771	$ 15,737,677
FRS contributions in relation to the contractually required contribution	18,634,771	15,737,677
FRS contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll (2)	$ 466,345,909	$ 443,554,247
FRS contributions as a percentage of covered-employee payroll	4.00%	3.55%

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

(2) Covered-employee 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 the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan

	2014 (1)	**2013** (1)
University's proportion of the HIS net pension liability	0.668866670%	0.662647783%
University's proportionate share of the HIS net pension liability	$ 62,540,666	$ 57,692,202
University's covered-employee payroll (2)	$ 194,843,828	$ 189,351,023
University's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	32.10%	30.47%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.99%	1.78%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2015 (1)	**2014** (1)
Contractually required HIS contribution	$ 2,701,889	$ 2,291,312
HIS contributions in relation to the contractually required HIS contribution	2,701,889	2,291,312
HIS contribution deficiency (excess)	$ -	$ -
University's covered-employee payroll (2)	$ 208,898,281	$ 194,843,828
HIS contributions as a percentage of covered-employee payroll	1.29%	1.18%

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

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

1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2013, unfunded actuarial accrued liability of $247,391,000 was higher than the July 1, 2011, liability of $230,266,000 primarily as a result of a lower than expected increase in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

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

Changes of assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3.00 percent to 2.60 percent, the real payroll growth assumption was decreased from 1.00 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4.00 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

Changes of assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

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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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 15, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

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

The results of our operational audit of the University will be presented in a separate report.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

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