STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-108
January 2019

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

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 Elba M. Guzik, CPA, and the audit was supervised by Rachel P. Sellers, CPA.

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

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UNIVERSITY OF SOUTH FLORIDA
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SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2018. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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, 2018, 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 University of South Florida Health Sciences Center Self-Insurance Program, a blended component unit, represent 3.3 percent, 4.1 percent, and 0.7 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. The financial statements for the blended and aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of South Florida and of its aggregate discretely presented component units as of June 30, 2018, 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 Note 2. and 3. to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2019, 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 effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of South Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

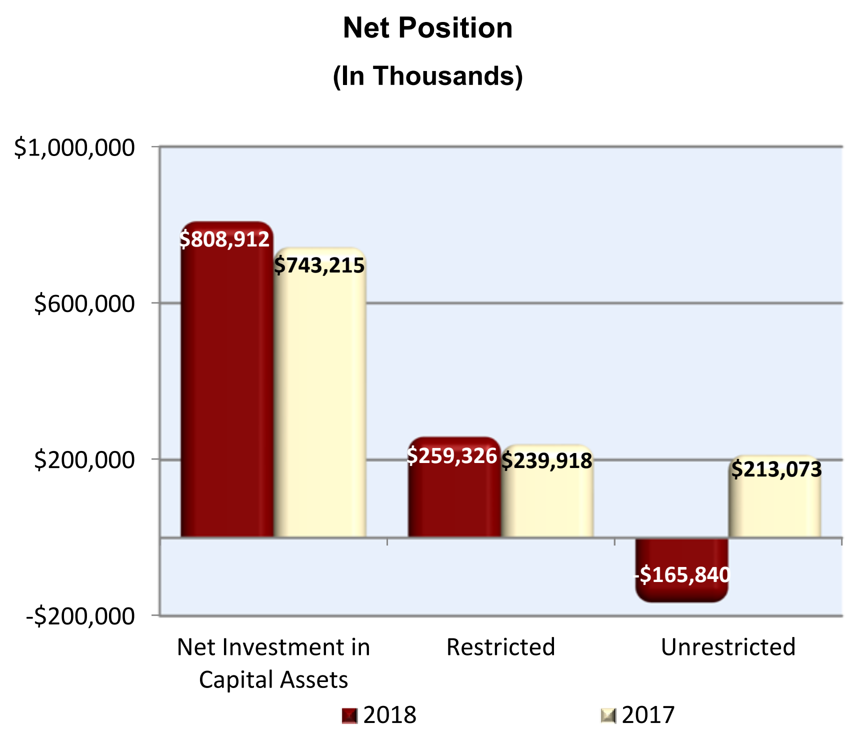
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2018 and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2018, and June 30, 2017.

FINANCIAL HIGHLIGHTS

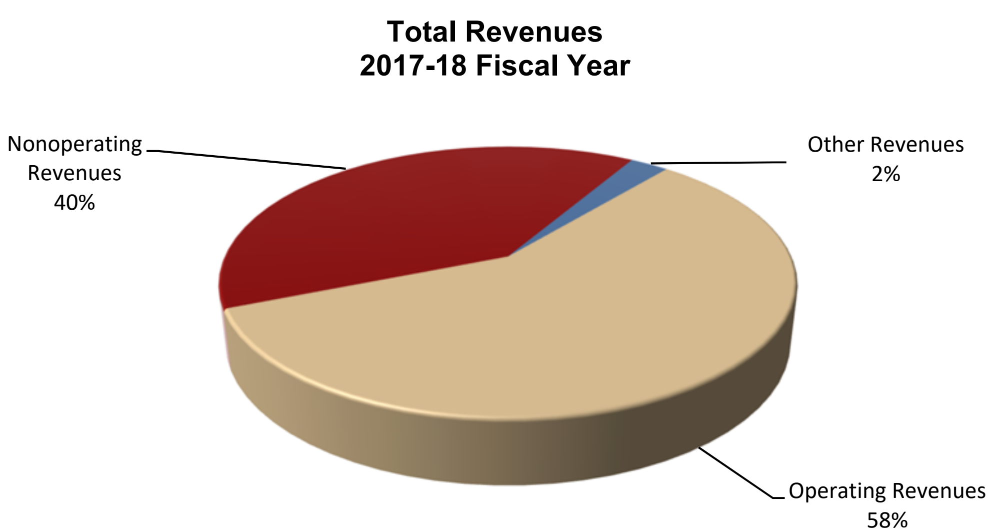
The University's assets and deferred outflows of resources totaled $2.1 billion at June 30, 2018. This balance reflects a $153.2 million, or 7.8 percent, increase as compared to the 2016-17 fiscal year, resulting from increases in capital assets, investments, and other postemployment benefits (OPEB) and pension-related deferred outflows. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by $447 million, or 58.9 percent, totaling $1.2 billion at June 30, 2018, as compared to $759.4 million at June 30, 2017, resulting from increases in the OPEB and pension liabilities as well as service concession arrangement, OPEB, and pension-related deferred inflows. As a result, the University's net position decreased by $293.8 million, resulting in a year-end balance of $902.4 million.

The University's operating revenues totaled $872 million for the 2017-18 fiscal year, representing a 2.8 percent increase compared to the 2016-17 fiscal year due mainly to increases in grants and contracts. Operating expenses totaled $1.4 billion for the 2017-18 fiscal year, representing an increase of 6.7 percent as compared to the 2016-17 fiscal year due mainly to increases in compensation and employee benefits, services and supplies, and scholarships.

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, 2018, and June 30, 2017, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2017-18 fiscal year:



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

- Discretely Presented Component Units:
  - o University of South Florida Foundation, Inc.
  - o University of South Florida Alumni Association, Inc.
  - o USF Health Professions Conferencing Corporation
  - o University of South Florida Medical Services Support Corporation
  - o Sun Dome, Inc.
  - o University of South Florida Research Foundation, Inc.
  - o USF Financing Corporation
  - o USF Property Corporation
  - o University Medical Service Association, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. 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)

	2018	2017
Assets		
Current Assets	$ 910,622	$ 894,715
Capital Assets, Net	957,407	852,341
Other Noncurrent Assets	72,899	71,189
Total Assets	1,940,928	1,818,245
Deferred Outflows of Resources	167,934	137,405
Liabilities		
Current Liabilities	201,298	212,028
Noncurrent Liabilities	873,579	541,744
Total Liabilities	1,074,877	753,772
Deferred Inflows of Resources	131,587	5,672
Net Position		
Net Investment in Capital Assets	808,912	743,215
Restricted	259,326	239,918
Unrestricted	(165,840)	213,073
Total Net Position	$ 902,398	$ 1,196,206

Net capital assets for the University increased a total of $105.1 million between the two fiscal years due mainly to increases in buildings and construction in progress. Net buildings increased $56 million primarily due to the substantial completion of Phase I of the student housing and retail facilities constructed as part of the service concession arrangement discussed in Note 10. as well as the completion of the USF Health Student Union Annex and various other building improvements. Construction in progress increased $30.3 million primarily due to the USF Morsani College of Medicine and USF Health Heart Institute Projects.

Deferred outflows of resources increased $30.5 million relating to pension and OPEB activity, and deferred inflows of resources decreased $125.9 million relating to OPEB, service concession arrangement, and pension activity.

Total liabilities increased $321.1 million. Major components of this increase include an increase in OPEB payable of $301.1 million, due to the implementation of GASB Statement No. 75, and an increase in the GASB Statement No. 68 net pension liability of $30.4 million.

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 2017-18 and 2016-17 fiscal years:

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

(In Thousands)

	2017-18	**2016-17**
Operating Revenues	$ 871,964	$ 848,169
Less, Operating Expenses	1,421,552	1,332,703
Operating Loss	(549,588)	(484,534)
Net Nonoperating Revenues	546,709	511,475
Income (Loss) Before Other Revenues	(2,879)	26,941
Other Revenues	38,909	40,248
Net Increase In Net Position	36,030	67,189
Net Position, Beginning of Year	1,196,206	1,129,017
Adjustment to Beginning Net Position (1)	(329,838)	-
Net Position, Beginning of Year, as Restated	866,368	1,129,017
Net Position, End of Year	$ 902,398	$ 1,196,206

(1) For the 2017-18 fiscal year, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 75.

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 2017-18 and 2016-17 fiscal years:

Operating Revenues
For the Fiscal Years

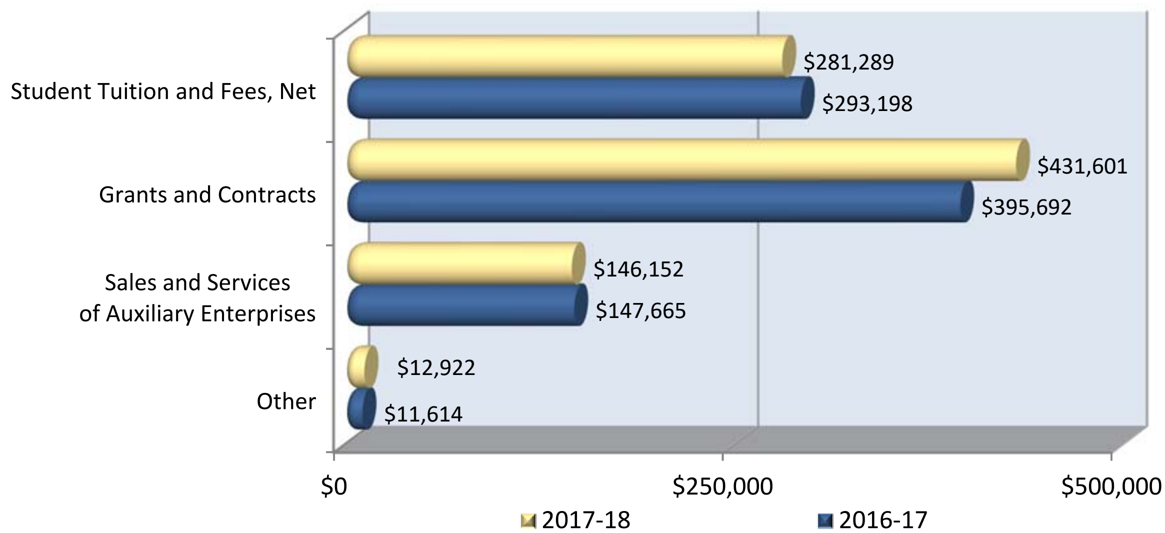
(In Thousands)

	2017-18	2016-17
Student Tuition and Fees, Net	$ 281,289	$ 293,198
Grants and Contracts	431,601	395,692
Sales and Services of Auxiliary Enterprises	146,152	147,665
Other	12,922	11,614
Total Operating Revenues	$ 871,964	$ 848,169

The following chart presents the University's operating revenues for the 2017-18 and 2016-17 fiscal years:

Operating Revenues

(In Thousands)



University operating revenues increased by $23.8 million, or 2.8 percent. This is primarily attributed to a $35.9 million increase in grants and contracts revenues due to grants and contracts from Federal and nongovernmental funding, offset by an $11.9 million decrease in net student tuition and fees due to a $20.8 million increase in scholarship allowances.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2017-18 and 2016-17 fiscal years:

Operating Expenses
For the Fiscal Years

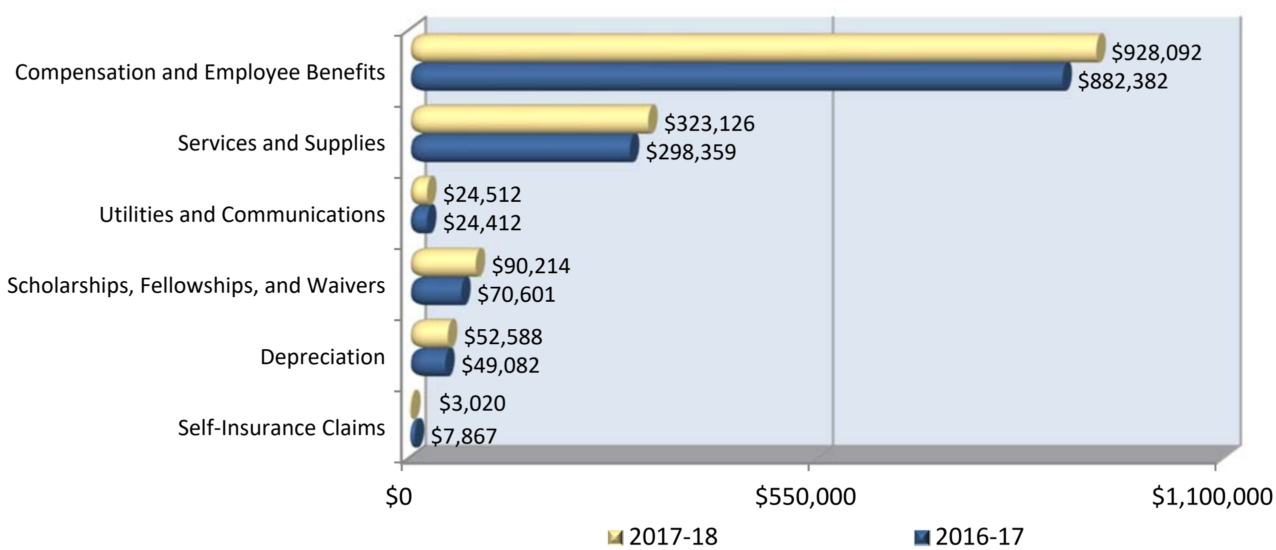
(In Thousands)

	2017-18	2016-17
Compensation and Employee Benefits	$ 928,092	$ 882,382
Services and Supplies	323,126	298,359
Utilities and Communications	24,512	24,412
Scholarships, Fellowships, and Waivers	90,214	70,601
Depreciation	52,588	49,082
Self-Insurance Claims	3,020	7,867
Total Operating Expenses	$ 1,421,552	$ 1,332,703

The following chart presents the University's operating expenses for the 2017-18 and 2016-17 fiscal years:

Operating Expenses

(In Thousands)



Total operating expenses increased by $88.8 million, or 6.7 percent, resulting primarily from a $45.7 million increase in compensation and employee benefits, a $24.8 million increase in services and supplies, and a $19.6 million increase in scholarships, fellowships, and waivers. The increase in compensation and employee benefits was primarily due to expenses associated with salary and benefit increases, as well as increases in pension expenses. The increase in services and supplies was primarily due to purchases associated with USF Health construction, consulting services, software and other maintenance, and travel expenses. The increase in scholarships, fellowships, and waivers was due to increased disbursements for Federal and State of Florida scholarship programs.

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 2017-18 and 2016-17 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
State Noncapital Appropriations	$ 420,566	$ 387,160
Federal and State Student Financial Aid	134,685	91,884
Noncapital Grants and Donations	21,954	23,735
Investment Income	18,289	24,952
Other Nonoperating Revenues	2,293	6,030
Gain (Loss) on Disposal of Capital Assets	(840)	9,965
Interest on Capital Asset-Related Debt	(736)	(763)
Other Nonoperating Expenses	(49,502)	(31,488)
Net Nonoperating Revenues	$ 546,709	$ 511,475

Total net nonoperating revenues increased by $35.2 million, or 6.9 percent. Major contributors to this increase include an increase in Federal and State student financial aid of $42.8 million for State of Florida scholarship programs and Federal Pell Grants and an increase in state noncapital appropriations of $33.4 million due to Education and General funds. These revenue increases were offset by an increase in other nonoperating expenses of $18 million, mainly due to increased transfers to the Agency for Health Care Administration for Medicaid payments from the University Medical Service Association (UMSA) and increased net transfers to the USF Financing Corporation for construction at the Moffit Eye Care Institute, and a decrease from a gain to a loss on disposal of capital assets of $10.8 million due to the FCC auction proceeds for WUSF-TV that were recognized in the 2016-17 fiscal year.

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, expenses, gains, or losses for the 2017-18 and 2016-17 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
State Capital Appropriations	$ 27,971	$ 39,311
Capital Grants, Contracts, Donations, and Fees	10,938	937
Total	$ 38,909	$ 40,248

State capital appropriations decreased by $11.3 million, or 28.8 percent, primarily due to $12 million of Public Educational Capital Outlay (PECO) funding for the Morsani College of Medicine for the 2017-18 fiscal year versus $22.5 million for the 2016-17 fiscal year. Capital grants, contracts, donations, and fees increased by $10 million mainly due to the donation of Downtown Tampa land associated with Morsani College of Medicine projects.

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 2017-18 and 2016-17 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
Cash Provided (Used) by:		
Operating Activities	$ (435,024)	$ (383,075)
Noncapital Financing Activities	535,095	470,867
Capital and Related Financing Activities	(58,753)	(37,130)
Investing Activities	(43,047)	(20,234)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,729)	30,428
Cash and Cash Equivalents, Beginning of Year	72,088	41,660
Cash and Cash Equivalents, End of Year	$ 70,359	$ 72,088

Major sources of funds came from State noncapital appropriations ($420.6 million), Federal Direct Student Loan receipts ($238 million), net student tuition and fees ($282.3 million), grants and contracts ($430.6 million), and sales and services of auxiliary enterprises ($146.1 million). Major uses of funds were for payments made to and on behalf of employees totaling $876.1 million; payments to suppliers totaling $339.5 million; disbursements to students for Federal Direct Student Loans totaling $238 million.

Cash used by operating activities increased by $51.9 million, largely due to an increase in payments made to and on behalf of employees. Cash provided by noncapital financing activities increased by $64.2 million as a result of increases in State noncapital appropriations and Federal and State student financial aid. Cash used by capital and related financing activities increased $21.6 million due to an increase in the purchase or construction of capital assets. Cash used by investing activities increased by $22.8 million, primarily due to a decrease in proceeds from sales and maturities of investments.

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2018, the University had $1.7 billion in capital assets, less accumulated depreciation of $712.8 million, for net capital assets of $957.4 million. Depreciation charges for the current fiscal year totaled $52.6 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)

	2018	2017
Land	$ 23,649	$ 16,198
Construction in Progress	72,438	42,178
Buildings	748,316	692,290
Infrastructure and Other Improvements	29,787	32,197
Furniture and Equipment	62,471	53,071
Library Resources	15,762	11,515
Property Under Capital Leases	568	89
Works of Art and Historical Treasures	1,341	1,397
Other Capital Assets	3,075	3,406
Capital Assets, Net	$957,407	$852,341

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

Capital Expenses and Commitments

The University's construction commitments at June 30, 2018, are as follows:

	Amount (In Thousands)
Total Committed	$ 209,604
Completed to Date	(72,438)
Balance Committed	$ 137,166

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

Debt Administration

As of June 30, 2018, the University had $18.2 million in outstanding capital improvement debt payable, installment purchases payable, and capital leases payable, representing a decrease of $2 million, or 9.9 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)

	2018	2017
Capital Improvement Debt	$ 17,473	$ 19,956
Installment Purchases	328	236
Capital Leases	444	60
Total	$ 18,245	$ 20,252

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 that the Florida Legislature adopted for the 2018-19 fiscal year provided a 2.8 percent increase for State universities. In June 2018, the University was designated a Preeminent State Research University by the Florida Board of Governors. This will increase the proportion of future preeminence performance based funding allocated to the University each year.

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

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

June 30, 2018

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 68,640,494	$ 17,455,617
Investments	669,949,225	119,778,650
Accounts Receivable, Net	70,724,581	91,642,339
Loans and Notes Receivable, Net	2,151,145	157,500
Due from State	85,718,548	-
Due from University	-	69,044,772
Due from Component Units	11,907,956	4,555,231
Inventories	268,651	12,450,000
Other Current Assets	1,261,276	6,338,147
Total Current Assets	910,621,876	321,422,256
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,718,280	1,100,000
Restricted Investments	68,226,862	573,565,480
Loans and Notes Receivable, Net	2,953,651	266,013
Depreciable Capital Assets, Net	858,853,336	284,475,979
Nondepreciable Capital Assets	98,553,782	19,775,734
Other Noncurrent Assets	-	16,507,719
Total Noncurrent Assets	1,030,305,911	895,690,925
Total Assets	1,940,927,787	1,217,113,181
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	11,492,000	-
Pensions	156,442,037	-
Interest Rate Swap Agreement	-	58,610
Total Deferred Outflows of Resources	167,934,037	58,610
LIABILITIES		
Current Liabilities:		
Accounts Payable	35,605,056	16,540,590
Construction Contracts Payable	7,474,189	-
Salary and Wages Payable	35,279,851	8,398,338
Deposits Payable	4,621,485	797,964
Due to University	-	11,907,956
Due to Component Units	69,044,772	4,555,231
Unearned Revenue	29,664,755	4,965,996
Other Current Liabilities	-	31,312
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	5,222,668
Certificates of Participation Payable	-	8,695,000
Capital Improvement Debt Payable	2,538,479	-
Loans and Notes Payable	-	507,468
Installment Purchases Payable	138,865	-
Capital Leases Payable	129,661	1,039,561
Estimated Insurance Claims Payable	1,597,571	-
Compensated Absences Payable	6,694,028	-
Dining Facility Fee Payable	20,865	-
Other Postemployment Benefits Payable	6,279,000	-
Net Pension Liability	2,209,005	-
Total Current Liabilities	201,297,582	62,662,084

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

June 30, 2018

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	96,911,505
Certificates of Participation Payable	-	229,667,131
Capital Improvement Debt Payable	14,934,354	-
Loans and Notes Payable	-	4,714,152
Installment Purchases Payable	189,249	-
Capital Leases Payable	314,854	1,471,358
Estimated Insurance Claims Payable	26,087,669	-
Compensated Absences Payable	78,825,606	-
Federal Advance Payable	2,796,390	-
Other Noncurrent Liabilities	-	10,326,684
Dining Fee Facility Payable	4,705,288	-
Other Postemployment Benefits Payable	440,115,000	-
Net Pension Liability	305,610,715	-
Total Noncurrent Liabilities	873,579,125	343,090,830
Total Liabilities	1,074,876,707	405,752,914
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	63,109,000	-
Pensions	13,966,669	-
Deferred Service Concession Arrangement Receipts	54,511,702	-
Total Deferred Inflows of Resources	131,587,371	-
NET POSITION		
Net Investment in Capital Assets	808,911,963	37,815,921
Restricted for Nonexpandable:		
Endowment	-	646,713,731
Restricted for Expendable:		
Debt Service	1,753,532	-
Loans	5,051,075	-
Capital Projects	91,374,371	-
Other	161,146,565	-
Unrestricted	(165,839,760)	126,889,225
TOTAL NET POSITION	$ 902,397,746	$ 811,418,877

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, 2018

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $131,613,629 ($3,221,520 Pledged for the Parking System Revenue Bonds)	$ 281,289,221	$ -
Federal Grants and Contracts	207,919,289	-
State and Local Grants and Contracts	28,009,470	-
Nongovernmental Grants and Contracts	195,672,801	72,779,448
Sales and Services of Auxiliary Enterprises ($10,779,794 Pledged for the Parking System Revenue Bonds)	146,151,702	-
Sales and Services of Component Units	-	270,225,469
Royalties and Licensing Fees	-	4,034,562
Gifts and Donations	-	57,927,275
Interest on Loans and Notes Receivable	202,009	-
Other Operating Revenues	12,719,725	56,827,067
Total Operating Revenues	871,964,217	461,793,821
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	928,091,379	236,998,979
Services and Supplies	323,126,306	153,450,654
Utilities and Communications	24,512,272	1,361,197
Scholarships, Fellowships, and Waivers	90,214,079	9,798,737
Depreciation	52,588,444	15,238,223
Self-Insurance Claims	3,019,925	-
Total Operating Expenses	1,421,552,405	416,847,790
Operating Income (Loss)	(549,588,188)	44,946,031
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	420,566,069	-
Federal and State Student Financial Aid	134,685,331	-
Noncapital Grants and Donations	21,953,799	-
Investment Income	18,288,834	60,956,694
Other Nonoperating Revenues	2,293,561	553,347
Gain (Loss) on Disposal of Capital Assets	(839,711)	10,497
Interest on Capital Asset-Related Debt	(736,154)	(12,972,417)
Other Nonoperating Expenses	(49,502,267)	(18,892,663)
Net Nonoperating Revenues	546,709,462	29,655,458
Income (Loss) Before Other Revenues	(2,878,726)	74,601,489
State Capital Appropriations	27,971,267	-
Capital Grants, Contracts, Donations, and Fees	10,937,387	-
Increase in Net Position	36,029,928	74,601,489
Net Position, Beginning of Year	1,196,205,818	736,817,388
Adjustment to Beginning Net Position	(329,838,000)	-
Net Position, Beginning of Year, as Restated	866,367,818	736,817,388
Net Position, End of Year	$ 902,397,746	$ 811,418,877

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, 2018

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 282,347,825
Grants and Contracts	430,567,675
Sales and Services of Auxiliary Enterprises	146,121,868
Interest on Loans and Notes Receivable	189,636
Payments to Employees	(876,091,174)
Payments to Suppliers for Goods and Services	(339,522,803)
Payments to Students for Scholarships and Fellowships	(90,214,079)
Payments on Self-Insurance Claims and Expenses	(1,752,179)
Loans Issued to Students	(504,144)
Collection on Loans to Students	1,514,587
Other Operating Receipts	12,318,683
Net Cash Used by Operating Activities	(435,024,105)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	420,566,069
Federal and State Student Financial Aid	134,685,331
Noncapital Grants, Contracts and Donations	21,542,758
Federal Direct Loan Program Receipts	238,042,443
Federal Direct Loan Program Disbursements	(238,042,443)
Operating Subsidies and Transfers	2,417,706
Net Change in Funds Held for Others	(1,811,498)
Other Nonoperating Receipts	20,024,408
Other Nonoperating Disbursements	(62,329,465)
Net Cash Provided by Noncapital Financing Activities	535,095,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	32,730,759
Capital Grants, Contracts, Donations and Fees	2,149,628
Purchase or Construction of Capital Assets	(90,330,903)
Principal Paid on Capital Debt and Leases	(2,811,035)
Interest Paid on Capital Debt and Leases	(491,926)
Net Cash Used by Capital and Related Financing Activities	(58,753,477)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	14,791,877
Purchases of Investments	(75,480,398)
Investment Income	17,641,628
Net Cash Used by Investing Activities	(43,046,893)
Net Decrease in Cash and Cash Equivalents	(1,729,166)
Cash and Cash Equivalents, Beginning of Year	72,087,940
Cash and Cash Equivalents, End of Year	$ 70,358,774

UNIVERSITY OF SOUTH FLORIDA
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2018

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (549,588,188)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	52,588,444
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	13,189,639
Loans and Notes Receivable, Net	1,010,443
Inventories	(36,613)
Other Assets	(571,745)
Accounts Payable	8,304,010
Salaries and Wages Payable	2,488,479
Deposits Payable	(481,671)
Compensated Absences Payable	3,398,262
Unearned Revenue	(12,717,967)
Estimated Insurance Claims Payable	1,267,746
Other Postemployment Benefits Payable	(34,376,000)
Net Pension Liability	30,366,600
Deferred Outflows of Resources Related to Other Postemployment Benefits	(5,844,000)
Deferred Inflows of Resources Related to Other Postemployment Benefits	63,109,000
Deferred Outflows of Resources Related to Pensions	(19,036,885)
Deferred Inflows of Resources Related to Pensions	11,906,341
NET CASH USED BY OPERATING ACTIVITIES	$ (435,024,105)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 647,206
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (905,502)
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.	$ 8,787,759

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

Blended Component Unit. Based on the application of the criteria for determining component units, the University of South Florida Health Sciences Center Self-Insurance Program is included within the University's reporting entity as a blended component unit. The University of South Florida Health Sciences Center Self-Insurance Program was created in 1972 and provides medical professional liability, covering the USF Board of Trustees and 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, 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 the audit reports, is available by contacting the University Controller's office. Condensed financial statements for the University's discretely 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, the 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 and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- The University of South Florida Foundation, Inc. accepts, invests, administers, and distributes private gifts given for the funding of activities and facilities directly related to the mission, role, and scope of the University of South Florida.
- The University of South Florida Alumni Association, Inc. fosters the spirit of loyalty and fraternity among the graduates, former students, and friends of the University, and promotes their continued active interest in and on behalf of the University.
- The Sun Dome, Inc. operates a multi-purpose facility on behalf of the University of South Florida to provide the students, faculty, and staff of the University, as well as the general public, an array of cultural, athletic, and other educational events and activities, including a variety of entertainment events.
- The University of South Florida 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. ("UMSA") is approved as the USF Health Faculty Practice Plan (the "Plan") pursuant to Florida Board of Governors Regulation 9.017 and USF Regulation 9.017. UMSA specifically functions as the University's agent for the orderly collection and administration of income generated from University faculty practice in accordance with the Plan, and employs and provides personnel to support the USF Health clinical enterprise and mission.
- The University of South Florida Medical Services Support Corporation ("MSSC") is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. At the September 16, 2015, Board meeting, the Board approved the transition of MSSC's operations to UMSA over the course of the 2015-16 fiscal year. MSSC continues to be a direct-support organization of the University but has no operations.

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

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

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

The University's blended and discretely presented component units use the economic resources measurement focus and the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Some follow GASB standards of accounting and financial reporting, 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 eliminated from revenues and expenses for reporting purposes.

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

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied the "Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, using a ratio of total aid to aid not considered third-party aid.

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

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

- Buildings – 10 to 40 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital 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 purchases payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advances payable, other postemployment benefits payable, dining facility fee payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

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

2. Reporting Change

Governmental Accounting Standards Board Statement No. 75. The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

3. Adjustments to Beginning Net Position

The beginning net position of the University was decreased by $329,838,000 due to implementation of GASB Statement No. 75. The University's total OPEB liability reported at June 30, 2017, increased by $335,486,000 to $480,770,000 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and a beginning balance for deferred outflows related to OPEB was established in the amount of $5,648,000.

4. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (276,435,771)
Auxiliary Funds	110,596,011
Total	$ (165,839,760)

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

Description		University
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources		$ 583,035,226
Amount Expected to be Financed in Future Years:		
Compensated Absences Payable	85,519,634	
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	498,011,000	
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	165,344,352	
Total Amount Expected to be Financed in Future Years		(748,874,986)
Total Unrestricted Net Position		$ (165,839,760)

5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

The University's recurring fair value measurements as of June 30, 2018 are valued using the following valuation techniques and inputs:

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

Stocks and other equity securities: This type includes domestic and international equities valued at quoted prices in an active market (Level 1 inputs).

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

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

Alternative Mutual Funds: This category includes investments in stocks and industries, equity indices, fixed income, currencies and commodities. The investment objective of these funds is to seek positive absolute returns. The fund seeks to provide long-term returns with a low correlation to traditional asset class returns by investing in a broad spectrum of asset classes and markets. Investments in this category are valued at quoted prices in an active market (Level 1 inputs).

Money Market Mutual Funds: This category includes investments in high-quality money market instruments through commingled fund structures. The investment objective of these funds is to maximize current income, to the extent consistent with the preservation of capital, and maintain liquidity. Investments in this category are valued at quoted prices in an active market (Level 1 inputs).

The University's investments at June 30, 2018, are reported as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
SBA Debt Service Accounts	$ 4,637	$ 4,637	$ -	$ -
United States Treasury Securities	13,179,321	-	13,179,321	-
Bonds and Notes	20,571,919	-	20,571,919	-
Stocks and Other Equity Securities	16,549,948	16,549,948	-	-
Mutual Funds:				
Equities	152,927,495	152,927,495	-	-
Bonds	494,946,101	494,946,101	-	-
Alternative	6,211,963	6,211,963	-	-
Money Market	33,784,703	33,784,703	-	-
Total investments by fair value level	$ 738,176,087	$ 704,424,847	$ 33,751,240	$ -
Total investments	$ 738,176,087			

<u>State Board of Administration Debt Service Accounts</u>.

The University reported investments totaling $4,637 at June 30, 2018, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of

Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Units Investments.

The University discretely presented component units' investments at June 30, 2018 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.	Total
Certificates of Deposit	$ -	$ -	$ -	$ 6,024,000	$ -	$ 6,024,000
Security Pledged to Swap Counterparty	-	-	-	1,000,000	-	1,000,000
Bonds and Notes	-	-	1,215,919	-	-	1,215,919
Stocks and Other Equity Securities	-	-	1,551,866	(252,765)	-	1,299,101
Partnership Investments	92,846,432	1,239,881	4,988,095	-	-	99,074,408
Mutual Funds:						
Equities	331,252,597	4,261,047	20,058,842	-	11,754,123	367,326,609
Bonds	145,056,885	1,711,148	6,399,041	-	9,704,499	162,871,573
Money Market	21,022,725	255,991	652,375	32,601,429	-	54,532,520
Total Component Units Investments	$ 590,178,639	$ 7,468,067	$ 34,866,138	$ 39,372,664	$ 21,458,622	$ 693,344,130

The component units' recurring fair value measurement as of June 30, 2018 are valued using the following valuation techniques and inputs:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	$ 6,024,000	$ 6,024,000	$ -	$ -
Bonds and Notes	1,215,919	-	1,215,919	-
Stocks and Other Equity Securities	1,551,866	1,551,866	-	-
Partnership Investments	150,000	-	-	150,000
Mutual Funds				
Equities	165,889,400	153,718,192	404,675	11,766,533
Bonds	84,121,424	70,724,725	1,272,945	12,123,754
Money Market	54,532,520	53,207,036	40,130	1,285,354
Total investments by fair value level	313,485,129	$ 285,225,819	$ 2,933,669	$ 25,325,641
Investments measured at the net asset value (NAV)				
Partnership Investments				
Private Equity	37,926,069			
Fixed Income	29,073,871			
Real Asset	31,924,468			
Mutual Funds				
Equities	201,437,209			
Bonds	78,750,149			
Total investments measured at the NAV	379,111,766			
Total investments measured at fair value	692,596,895			
Other				
Security Pledged to Swap Counterparty	1,000,000			
Equity Method Investment	(252,765)			
Total Other Investments	747,235			
Total Component Unit Investments	$ 693,344,130			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Partnership Investment:				
Private Equity	$ 37,926,069	$ 10,924,486	NA	NA
Fixed Income	29,073,871	17,012,633	Monthy	3-5 days
Real Asset	31,924,468	9,110,073	NA	NA
Mutual Funds:				
Equities	201,437,209	-	Daily/Monthly	2-30 days
Bonds	78,750,149	-	Weekly	0-7 days
Total investments measured at the NAV	$ 379,111,766	$ 37,047,192		

<u>Partnership Private Equity and Real Asset Investment</u>. This category consists of private capital partnerships in fund of fund underlying managers. Investments include private equity, real estate, and real assets that are not subject to redemption. The USF Foundation instead receives distributions through the liquidation of the underlying assets of the investees. The estimated remaining life on these funds range from 1 to 11 years.

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

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

Equity Mutual Funds. This category includes investments in domestic and international equities through a commingled fund structure. The investment objective of these funds is to provide long-term total return in excess of their respective benchmarks. The fair value of the investments in this category has been estimated using the net asset value per share of the investments.

The University's investments (which include investments of its blended component unit, the USF Health Sciences Center 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, and equity, bond, alternative, and money market mutual funds. The University's investment policy, the USF Health Sciences Center 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 following risks apply to the University, USF Health Sciences Center 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, USF Health Sciences Center 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 USF Health Sciences Center 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, USF Health Sciences Center Self-Insurance Program and Research Foundation investments in debt securities and mutual funds at June 30, 2018:

University Debt Investment Maturity and Quality Ratings

Investment Type	Weighted Average Maturities	Credit Quality Rating: Moody's	Credit Quality Rating: Standard and Poor's	Fair Value
United States Treasury Securities (2)	3.64 Years	(1)	(1)	$ 13,179,321
Bonds and Notes (2)	3.44 Years	Aaa - A3	AAA - A-	20,221,919
Bonds and Notes (2)	1 Day	Aa2	Not Rated	350,000
Bond Mutual Funds (3)	2.93 Years	Not Rated	Not Rated	494,946,101
Money Market Mutual Funds (2)	35 Days	Aaa-mf	AAAm	1,266,644
Money Market Mutual Funds (3)	26 Days	Aaa-mf	AAAm	32,518,059
Total				$ 562,482,044

(1) Disclosure of credit risk is not required for this investment type.
(2) USF Health Sciences Center Self-Insurance Program.
(3) University.

University of South Florida Research Foundation, Inc. Investment Maturity

		Investment Maturites (In Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Bonds and Notes	$ 1,215,919	$ 69,033	$ 195,519	$ 278,588	$ 672,779
Mutual Funds:					
Bonds	6,399,041	283,596	2,959,225	3,156,220	-
Money Market	652,375	652,375	-	-	-
Total	$ 8,267,335	$ 1,005,004	$ 3,154,744	$ 3,434,808	$ 672,779

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

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Bonds and Notes	$ 1,215,919	$ 234,432	$ 93,463	$ 237,414	$ 650,610
Mutual Funds:					
Bonds	6,399,041	265,155	411,975	1,538,057	4,183,854
Money Market	652,375	-	-	-	652,375
Total	$ 8,267,335	$ 499,587	$ 505,438	$ 1,775,471	$ 5,486,839

(1) Rated by Standard & 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 USF Health Sciences Center 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, USF Health Sciences Center 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, 2018.

6. Receivables

Accounts Receivable. Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on loans receivable. As of June 30, 2018, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 45,413,162
Student Tuition and Fees	8,893,157
USF Health Sciences Center Self-Insurance	6,457,019
Other	9,961,243
Total Accounts Receivable	$ 70,724,581

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 $16,940,741 and $2,388,149, respectively, at June 30, 2018.

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

7. Due From State

The amount due from State consists of $68,891,551 from Public Education Capital Outlay, $13,761,662 from Capital Improvement Fee Trust Fund, and $3,065,335 from General Revenue allocations due from the State to the University for construction of University facilities.

8. Due From and To Component Units/University

The $11,907,956 reported as due from component units consists of amounts owed to the University from the University of South Florida Research Foundation, Inc. ($7,751,530) for grant and special project-related revenue and administrative overhead rebate; from Sun Dome, Inc. ($240,530) for operating expenses and merchandise sales revenue; from University of South Florida Foundation, Inc. ($3,665,956), primarily for salary and operating expense support; from the USF Health Professions Conferencing Corporation ($248,562) for program residuals; and from the University of South Florida Alumni Association ($1,378) for payroll expenses.

The $69,044,772 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 ($67,781,069); and to the University Medical Service Association, Inc. ($1,263,703) for deposits made to support the funding of salaries and other operating expenses at USF Health.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 16,197,729	$ -	$ 7,451,260	$ -	$ 23,648,989
Works of Art and Historical Treasures	1,312,321	-	-	19,164	1,293,157
Other Capital Assets	1,173,750	-	-	-	1,173,750
Construction in Progress	42,177,932	-	74,390,511	44,130,557	72,437,886
Total Nondepreciable Capital Assets	$ 60,861,732	$ -	$ 81,841,771	$ 44,149,721	$ 98,553,782
Depreciable Capital Assets:					
Buildings	$ 1,186,948,503	$ 56,715,851	$ 34,326,858	$ 7,654,922	$ 1,270,336,290
Infrastructure and Other Improvements	69,211,858	-	169,469	-	69,381,327
Furniture and Equipment	172,463,004	-	22,825,621	6,528,850	188,759,775
Library Resources	21,301,446	-	6,106,263	-	27,407,709
Property Under Capital Leases	135,879	-	677,538	81,338	732,079
Works of Art and Historical Treasures	324,600	-	-	-	324,600
Other Capital Assets	14,668,495	-	116,216	38,698	14,746,013
Total Depreciable Capital Assets	1,465,053,785	56,715,851	64,221,965	14,303,808	1,571,687,793
Less, Accumulated Depreciation:					
Buildings	494,658,456	-	34,642,191	7,279,923	522,020,724
Infrastructure and Other Improvements	37,014,963	-	2,579,633	-	39,594,596
Furniture and Equipment	119,391,604	-	12,861,607	5,964,671	126,288,540
Library Resources	9,787,033	-	1,858,495	-	11,645,528
Property Under Capital Leases	46,563	-	163,061	45,511	164,113
Works of Art and Historical Treasures	239,433	-	37,167	-	276,600
Other Capital Assets	12,436,764	-	446,290	38,698	12,844,356
Total Accumulated Depreciation	673,574,816	-	52,588,444	13,328,803	712,834,457
Total Depreciable Capital Assets, Net	$ 791,478,969	$ 56,715,851	$ 11,633,521	$ 975,005	$ 858,853,336

(1) Adjustments to capital assets resulted from the substantial completion of Phase I of the student housing and retail facilities constructed as part of the service concession arrangement discussed in Note 10. The buildings constructed by the Tenant were capitalized by the University in accordance with GASB Statements No. 60 and 72.

10. Service Concession Arrangement

During the 2016-17 fiscal year, the University entered into an agreement with HSRE-Capstone Tampa, LLC (Tenant), under which the Tenant will construct, operate and collect payments for student housing and retail facilities through June 30 after the 45th anniversary of substantial completion of new facilities. The University entered into this agreement in order to satisfy the current and projected needs and demands for student housing facilities while using its resources in an efficient and effective manner. Phase I of construction, including a dining facility and a health and wellness facility, was substantially completed during the current fiscal year. Phase II is expected to be substantially completed during the 2018-19 fiscal year. The Tenant will transfer ownership of the new facilities to the University at the end of the agreement. The Tenant is entitled to all revenues and other income received from the lease of the housing facilities. The Tenant will pay the University base rent annually as a distribution of the net operating surplus as defined in the agreement. The University will pay the Tenant a fee in the amount of $300,000 per year for the use of the dining facility. The University retains the right to approve retail tenants and will oversee student housing by providing administrative services. Housing resident rental rates must be approved unanimously by an advisory committee which includes two members designated by the University. The University reports cash in the amount of $1,439,480, construction in progress in the amount of $1,835,520, housing facilities with a carrying amount of $55,425,209, a dining facility fee liability in the amount of $4,726,153, and deferred inflows of resources in the amount of $54,511,702 at year-end pursuant to the service concession arrangement.

11. Unearned Revenue

Unearned revenue at June 30, 2018, 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, 2018, to spend the funds, amounts received from contracts and grants, auxiliary prepayments, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2018, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 26,724,056
Capital Appropriations	334,685
Auxiliary Prepayments	2,605,824
Student Tuition and Fees	190
Total Unearned Revenue	$ 29,664,755

12. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2018, include capital improvement debt payable, installment purchases payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advance payable, dining facility fee payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 19,956,312	$ -	$ 2,483,479	$ 17,472,833	$ 2,538,479
Installment Purchases Payable	235,728	369,494	277,108	328,114	138,865
Capital Leases Payable	59,838	677,538	292,861	444,515	129,661
Estimated Insurance Claims Payable	26,417,494	3,019,925	1,752,179	27,685,240	1,597,571
Compensated Absences Payable	82,121,372	10,394,613	6,996,351	85,519,634	6,694,028
Federal Advance Payable	3,086,504	-	290,114	2,796,390	-
Dining Facility Fee Payable	-	4,886,138	159,985	4,726,153	20,865
Other Postemployment Benefits Payable (1)	480,770,000	34,381,050	68,757,050	446,394,000	6,279,000
Net Pension Liability	277,453,120	220,478,051	190,111,451	307,819,720	2,209,005
Total Long-Term Liabilities	$ 890,100,368	$ 274,206,809	$ 271,120,578	$ 893,186,599	$ 19,607,474

(1) The beginning balance of the Other Postemployment Benefits Payable was adjusted for adoption of GASB Statement No. 75 as described in Notes 2. and 3.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2018:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Capital Improvement Debt:				
2016A Parking	$ 21,545,000	$ 17,472,833	2.20	2026
Total Capital Improvement Debt	$ 21,545,000	$ 17,472,833		

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

The University has pledged a portion of future traffic and parking fees, and various student fee assessments to repay $17,472,833 in capital improvement (parking) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages. The bonds are payable solely from traffic and parking fees, and transportation access fees and are payable through 2026. The University has committed to appropriate each year from the traffic and parking fees, and transportation access fees amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $19,092,900 and principal and interest paid for the current year totaled $2,936,320. During the 2017-18 fiscal year, traffic and parking fees, and transportation access fees totaled $10,779,794 and $3,221,520, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 2,550,000	$ 386,430	$ 2,936,430
2020	2,610,000	330,330	2,940,330
2021	2,665,000	272,910	2,937,910
2022	2,715,000	214,280	2,929,280
2023	2,780,000	154,550	2,934,550
2024-2026	4,245,000	169,400	4,414,400
Subtotal	17,565,000	1,527,900	19,092,900
Deferred Loss on Refunding	(92,167)	-	(92,167)
Total	$ 17,472,833	$ 1,527,900	$ 19,000,733

Installment Purchases Payable. The University has entered into several installment purchase agreements for the purchase of equipment reported at $691,521. The stated interest rates ranged from 2.2 percent to 3.2 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 147,904
2020	119,194
2021	39,157
2022	39,158
Total Minimum Payments	345,413
Less, Amount Representing Interest	17,299
Present Value of Minimum Payments	$ 328,114

Capital Leases Payable. The University has entered into capital lease agreements for equipment in the amount of $732,079. The stated interest rates range from 5.8 percent to 7.5 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 154,805
2020	137,725
2021	132,074
2022	75,424
Total Minimum Payments	500,028
Less, Amount Representing Interest	55,513
Present Value of Minimum Payments	$ 444,515

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, 2018, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $85,519,634. The current portion of the compensated absences liability, $6,694,028, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Federal Advance Payable. This represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal 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 $2,796,390.

Dining Facility Fee Payable. This represents the University's liability to pay HSRE-Capstone Tampa, LLC, the Tenant in a service concession arrangement, an annual fee for the use of the dining facility constructed as part of the agreement. The discount rate used to determine the liability was 6 percent. Future minimum payment remaining under the agreement and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 300,000
2020	300,000
2021	300,000
2022	300,000
2023	300,000
2024-2028	1,500,000
2029-2033	1,500,000
2034-2038	1,500,000
2039-2043	1,500,000
2044-2048	1,500,000
2049-2053	1,500,000
2054-2058	1,500,000
2059-2063	1,500,000
2064	300,000
Total Minimum Payments	13,800,000
Less, Amount Representing Interest	9,073,847
Present Value of Minimum Payments	$ 4,726,153

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

General Information about the OPEB Plan

Plan Description. The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

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

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of $446,394,000 was measured as of June 30, 2017, and was determined by an actuarial valuation as of, July 1, 2017. At June 30, 2017, the University's proportionate share, determined by its proportion of total benefit payments made, was 4.13 percent, which was an increase of 0.06 from its proportionate share measured as of July 1, 2016.

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

Inflation	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.58 percent
Healthcare cost trend rates	7.8 percent for Preferred Provider Organizations (PPO) and 5.2 percent for Health Maintenance Organizations (HMO) for fiscal years 2017 to 2018, decreasing to an ultimate rate of 3.8 percent for fiscal year 2075 and later years.
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

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

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2015.
- The annual per capita claim costs have been updated to reflect current age-adjusted premiums.
- The premium rates have been updated to use the rates effective for 2017.
- Healthcare inflation rates have been updated to reflect the recent Getzen model published by the Society of Actuaries. Additionally, the updated trend rates reflect the information from the Report on the Financial Outlook for the fiscal years ending June 30, 2017, through June 30, 2023, as adopted August 3, 2017, by the Self-Insurance Estimated Conference.
- The active mortality rates have been updated to use rates mandated by Chapter 2015-157, Laws of Florida for pension plans. This law mandates the use of the assumption in either of the two most recent FRS valuations. The rates are those outlined in the Milliman's July 1, 2016, FRS valuation report.
- The discount rate as of the measurement date for GASB 75 purposes is 3.58 percent. The prior GASB 45 valuation used 4.00 percent. The GASB 75 discount rate is based on the 20-year municipal bond rate as of June 29, 2017.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
University's proportionate share of the total OPEB liability	$549,805,000	$446,394,000	$366,836,000

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.8 percent decreasing to 2.8 percent) or 1 percentage point higher (8.8 percent decreasing to 4.8 percent) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$360,582,000	$446,394,000	$561,538,000

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

For the fiscal year ended June 30, 2018, the University recognized OPEB expense of $29,371,000. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 63,109,000
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	5,010,000	-
Transactions subsequent to the measurement date	6,482,000	-
Total	$ 11,492,000	$ 63,109,000

Of the total amount reported as deferred outflows of resources related to OPEB, $6,482,000 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30		Amount
2019	$	(8,300,000)
2020		(8,300,000)
2021		(8,300,000)
2022		(8,300,000)
2023		(8,300,000)
Thereafter		(16,599,000)
Total	$	(58,099,000)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2018, the University's proportionate share of the net pension liabilities totaled $307,819,720. Note 14. includes a complete discussion of defined benefit pension plans.

13. 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.

As a result of a change in the U.S. corporate tax rate, the interest rate on the Series 2003A Certificates increased to 3.82 percent effective January 1, 2018.

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 the 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 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 4 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 2017-18 fiscal year, the direct Federal subsidy was reduced and the net interest cost equaled 67.3 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.

Certificates of Participation Series 2012A (refunded Series 2012A Certificates). On May 6, 2015, the USF Financing Corporation issued the $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 4 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 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 re-let 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 the $68,975,000 Certificates of Participation 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.

As a result of a change in the U.S. corporate tax rate, the interest rate on the Series 2012B Housing Certificates, increased to 4.72 percent effective January 1, 2018.

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 re-let 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 July 1, 2016, the USF Financing Corporation converted the $37,920,000 Series 2013A Certificates from a variable rate, hedged with an interest rate swap, to a 2.31 percent fixed rate. The Series 2013A Certificates were originally issued on September 3, 2013, to refund the Series 2006A Certificates. The Certificates mature in 2036.

As a result of a change in the U.S. corporate tax rate, the interest rate on the Series 2013A Health Certificates increased to 2.81 percent effective January 1, 2018.

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 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 South Clinic Facility to the University Medical Service Association, Inc. (UMSA), a direct-support organization of the University, pursuant to individual office building lease agreements, each dated March 1, 2006.

The USF Financing Corporation's right to receive all payments received from UMSA under the Facility Lease Agreements 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 the $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.

As a result of a change in the U.S. corporate tax rate, the interest rate on the Series 2013B Health Certificates increased to 4.69 percent effective January 1, 2018.

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 the land on which the Medical Office Building is constructed. The USF Financing Corporation has subleased the Medical Office Building to UMSA pursuant to a facility lease agreement, dated November 1, 2007.

The USF Financing Corporation's right to receive all payments from UMSA under the Facility Lease Agreement 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 the $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 re-let 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 the $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 3 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.

The Series 2015 Bonds were issued pursuant to the terms of a Trust Indenture, dated as of May 1, 2015, by and among a Trustee and the USF Financing Corporation.

Notes Series 2018A and 2018B (refunded 2010A and 2010B) Athletics. On March 9, 2018, the USF Financing Corporation issued the $7,685,180 Series 2018A Athletics Tax Exempt Promissory Note and the $10,486,685 Series 2018B Athletics Tax Exempt Promissory Note to refund the Series 2010A and 2010B Athletics Taxable Promissory Notes. The tax-exempt, fixed rate Series 2018A Note has an interest rate of 3.46 percent and matures in 2030. The tax-exempt, fixed rate Series 2018B Note has an interest rate of 3.51 percent and matures in 2031.

The proceeds derived from the issuance of the Series 2010A and 2010B Athletics Notes, issued on January 15 and December 15, 2010, respectively, were used to finance the acquisition, construction, and equipping of the athletics district facilities. The Series 2010A and 2010B fixed rate Notes had 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 were 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 2017-18 fiscal year, through the date of refunding, the direct Federal subsidies were reduced and the net interest costs equaled 67.3 percent.

For the Series 2018A and 2018B Notes, the USF Financing Corporation has entered into a Ground Lease Agreement, dated as of January 15, 2010 and amended as of March 9, 2018, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the athletics district facilities are located.

Note Series 2018 CAMLS (refunded Note Series 2010 CAMLS). On March 9, 2018, the USF Financing Corporation issued the $15,535,830 Series 2018 CAMLS Tax Exempt Promissory Note to refund the Series 2010 CAMLS Taxable Promissory Note. The tax-exempt, fixed rate Series 2018 Note has an interest rate of 3.51 percent and matures in 2031.

The proceeds derived from the issuance of the Series 2010 CAMLS Note, issued on December 15, 2010, 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 had a gross interest rate of 6.17 percent. As the Note was issued under the Build America Bonds program, the net interest cost was 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 2017-18 fiscal year, through the date of refunding, the direct Federal subsidy was reduced and the net interest cost equaled 67.3 percent.

For the Series 2018 CAMLS Note, the USF Financing Corporation has entered into a Ground Lease Agreement, dated as of December 15, 2010, and amended as of June 12, 2015, and March 9, 2018, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the CAMLS facility is located. The 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 Sun Dome 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 Sun Dome Arena. 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, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 12,197,668	$ 13,767,590	$ 25,965,258
2020	12,764,217	13,100,907	25,865,124
2021	13,333,556	12,554,442	25,887,998
2022	13,961,215	12,009,666	25,970,881
2023	14,522,760	11,426,730	25,949,490
2024-2028	78,722,691	47,229,758	125,952,449
2029-2033	90,450,588	27,803,185	118,253,773
2034-2038	71,625,000	8,058,094	79,683,094
2039-2040	3,420,000	448,770	3,868,770
Subtotal	310,997,695	146,399,142	457,396,837
Premiums	11,760,635	-	11,760,635
Cost of Issuance	(1,137,027)	-	(1,137,027)
Total	$ 321,621,303	$ 146,399,142	$ 468,020,445

Interest Rate Swap Agreements. 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 $59,800,000 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 $18,555,000 principal in the variable rate Series 2013B Certificates. The interest rate on the swap agreement is 3.397 percent and the swap agreement expire 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, 2018, the total posted collateral was $1,000,000.

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, 2018, the USF Financing Corporation interest rate swap agreements had a cumulative negative fair value of ($9,422,148), which represents the amount to be paid to terminate the agreements at the reporting date.

As of June 30, 2018, 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 the risk by analyzing potential debt and swap interest rate index structures to ensure an effective hedge of cash flows and tracks the spread of certificate rates paid to the hedges 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.

14. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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

The University's FRS and HIS pension expense totaled $50,860,453 for the fiscal year ended June 30, 2018.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

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
Senior Management Service Class	2.00
Special Risk Class	
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were:

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
FRS, Special Risk	3.00	23.27
FRS, Plan E	6.25	11.90
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled $23,643,944 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of $229,267,838 for its proportionate share of the net pension liability. The net pension liability was measured as of

June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.775094790 percent, which was an increase of 0.01138188 from its proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of $43,966,990. 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	$ 21,041,270	$ 1,270,026
Change of assumptions	77,050,180	-
Net difference between projected and actual earnings on FRS Plan investments	-	5,681,830
Changes in proportion and differences between University contributions and proportionate share of contributions	15,316,615	58,791
University FRS contributions subsequent to the measurement date	23,643,944	-
Total	$ 137,052,009	$ 7,010,647

The deferred outflows of resources totaling $23,643,944, resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. 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
2019	$ 17,677,035
2020	37,399,837
2021	24,820,462
2022	5,119,989
2023	15,548,292
Thereafter	5,831,803
Total	$ 106,397,418

Actuarial Assumptions. The total pension liability in the July 1, 2017, 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	7.10 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, 2017, 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%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.10 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 (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
University's proportionate share of the net pension liability	$414,960,940	$229,267,838	$75,100,020

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $4,035,035 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the University reported a liability of $78,551,882 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.734647326 percent, which was an increase of 0.008624001 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the University recognized pension expense of $6,893,463. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 11,041,694	$ 6,792,464
Difference between actual and expected experience	-	163,558
Net difference between projected and actual earnings on HIS Plan investments	43,563	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	4,269,736	-
University HIS contributions subsequent to the measurement date	4,035,035	-
Total	$ 19,390,028	$ 6,956,022

The deferred outflows of resources totaling $4,035,035 resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. 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
2019	$ 2,205,951
2020	2,197,708
2021	2,193,751
2022	1,814,463
2023	840,436
Thereafter	(853,338)
Total	$ 8,398,971

Actuarial Assumptions. The total pension liability at July 1, 2017, 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	3.58 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 actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
University's proportionate share of the net pension liability	$89,638,099	$78,551,882	$69,317,675

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

15. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 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
FRS, Special Risk Administrative Support	7.95

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, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's Investment Plan pension expense totaled $5,498,065 for the fiscal year ended June 30, 2018.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.45 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled $25,371,933, and employee contributions totaled $16,176,140 for the 2017-18 fiscal year.

16. Construction Commitments

The University's construction commitments at June 30, 2018, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
USF Morsani College of Medicine	$ 82,964,092	$ 21,411,448	$ 61,552,644
USF Health Heart Institute	37,009,163	16,615,044	20,394,119
USF Wellness Center Complex	10,894,181	-	10,894,181
Holly Residence Hall Renovations	9,001,142	5,374,084	3,627,058
Subtotal	139,868,578	43,400,576	96,468,002
Other Projects (1)	69,735,046	29,037,310	40,697,736
Total	$ 209,603,624	$ 72,437,886	$ 137,165,738

(1) Individual projects with a current balance committed of less than $4 million at June 30, 2018.

17. State Self-Insurance 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 2017-18 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 $92.5 million for named windstorm and flood through February 14, 2018, and decreased to $78 million starting February 15, 2018. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $225 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.

18. University Self-Insurance Program

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

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

The Program's estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. Changes in the Program's claim liability amount for the fiscal years ended June 30, 2017, and June 30, 2018, are presented in the following table:

Fiscal Year	Claims Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Liability End of Year
2016-17	$ 20,829,722	$ 7,866,825	$ (2,279,053)	$ 26,417,494
2017-18	26,417,494	3,019,925	(1,752,179)	27,685,240

19. 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.

20. 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	$ 406,038,623
Research	320,011,552
Public Services	6,683,967
Academic Support	149,997,596
Student Services	60,539,595
Institutional Support	101,063,535
Operation and Maintenance of Plant	64,651,466
Scholarships, Fellowships, and Waivers	90,214,079
Depreciation	52,588,444
Auxiliary Enterprises	169,468,373
Loan Operations	295,175
Total Operating Expenses	$ 1,421,552,405

21. Segment Information

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

Condensed Statement of Net Position

	Parking Facilities
Assets	
Current Assets	$ 16,486,691
Capital Assets, Net	36,762,708
Other Noncurrent Assets	10,902,587
Total Assets	64,151,986
Deferred Outflows of Resources	802,579
Liabilities	
Current Liabilities	3,530,189
Noncurrent Liabilities	18,756,024
Total Liabilities	22,286,213
Deferred Inflows of Resources	368,355
Net Position	
Net Investment in Capital Assets	19,289,875
Restricted - Expendable	11,037,131
Unrestricted	11,972,991
Total Net Position	$ 42,299,997

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

	Parking Facilities
Operating Revenues	$ 14,311,727
Depreciation Expense	(1,542,192)
Other Operating Expenses	(9,397,662)
Operating Income	3,371,873
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	389,393
Interest Expense	(452,841)
Other Nonoperating Expense	(22,679)
Net Nonoperating Expenses	(86,127)
Income Before Other Revenues	3,285,746
State Capital Appropriations	3,240
Increase in Net Postion	3,288,986
Net Position, Beginning of Year	40,587,350
Adjustment to Beginning Net Position	(1,576,339)
Net Position, Beginning of Year, as Restated	39,011,011
Net Position, End of Year	$ 42,299,997

Condensed Statement of Cash Flows

	Parking Facilities
Net Cash Provided (Used) by:	
Operating Activities	$ 5,876,339
Capital and Related Financing Activities	(3,850,048)
Investing Activities	(1,622,923)
Net Increase in Cash and Cash Equivalents	403,368
Cash and Cash Equivalents, Beginning of Year	4,132,856
Cash and Cash Equivalents, End of Year	$ 4,536,224

22. Blended Component Unit

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

Condensed Statement of Net Position

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Other Current Assets	$ 13,724,328	$ 896,897,548	$ -	$ 910,621,876
Capital Assets, Net	17,432	957,389,686	-	957,407,118
Other Noncurrent Assets	51,198,183	21,700,610	-	72,898,793
Total Assets	64,939,943	1,875,987,844	-	1,940,927,787
Deferred Outflows of Resources	-	167,934,037	-	167,934,037
Liabilities:				
Other Current Liabilities	1,659,020	199,638,562	-	201,297,582
Noncurrent Liabilities	26,087,669	847,491,456	-	873,579,125
Total Liabilities	27,746,689	1,047,130,018	-	1,074,876,707
Deferred Inflows of Resources	-	131,587,371	-	131,587,371
Net Position:				
Net Investment in Capital Assets	17,432	808,894,531	-	808,911,963
Restricted - Expendable	37,175,822	222,149,721	-	259,325,543
Unrestricted	-	(165,839,760)	-	(165,839,760)
Total Net Position	$ 37,193,254	$ 865,204,492	$ -	$ 902,397,746

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

	USF Health Sciences Self-Insurance Program	University	Eliminations	Total Primary Government
Operating Revenues	$ 8,473,073	$ 864,033,810	$ (542,666)	$ 871,964,217
Depreciation Expense	(11,137)	(52,577,307)	-	(52,588,444)
Other Operating Expenses	(7,153,521)	(1,362,353,106)	542,666	(1,368,963,961)
Operating Income (Loss)	1,308,415	(550,896,603)	-	(549,588,188)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	2,646,067	595,141,527	-	597,787,594
Interest Expense	-	(736,154)	-	(736,154)
Other Nonoperating Expense	-	(50,341,978)	-	(50,341,978)
Net Nonoperating Revenues	2,646,067	544,063,395	-	546,709,462
Other Revenues	-	38,908,654	-	38,908,654
Increase in Net Position	3,954,482	32,075,446	-	36,029,928
Net Position, Beginning of Year	33,238,772	1,162,967,046	-	1,196,205,818
Adjustment to Beginning Net Position (1)	-	(329,838,000)	-	(329,838,000)
Net Position, Beginning of Year, as Restated	33,238,772	833,129,046	-	866,367,818
Net Position, End of Year	$ 37,193,254	$ 865,204,492	$ -	$ 902,397,746

(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. 75.

Condensed Statement of Cash Flows

	USF Health Sciences Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 3,718,232	$ (438,742,337)	$ -	$ (435,024,105)
Noncapital Financing Activities	-	535,095,309	-	535,095,309
Capital and Related Financing Activities	-	(58,753,477)	-	(58,753,477)
Investing Activities	(2,271,422)	(40,775,471)	-	(43,046,893)
Net Increase (Decrease) in Cash and Cash Equivalents	1,446,810	(3,175,976)	-	(1,729,166)
Cash and Cash Equivalents, Beginning of Year	3,955,963	68,131,977	-	72,087,940
Cash and Cash Equivalents, End of Year	$ 5,402,773	$ 64,956,001	$ -	$ 70,358,774

23. 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	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	$ 142,295,810	$ 818,235	$ 4,122,604	$ 1,163,493	$ 16,161,862	$ 75,337,426	$ 81,522,826	$ 321,422,256
Capital Assets, Net	13,791,223	-	2,930,385	637,744	40,822,360	239,679,916	6,390,085	304,251,713
Other Noncurrent Assets	507,850,696	6,954,733	6,650	-	34,040,149	33,348,664	9,238,320	591,439,212
Total Assets	663,937,729	7,772,968	7,059,639	1,801,237	91,024,371	348,366,006	97,151,231	1,217,113,181
Deferred Outflows of Resources	-	-	-	-	58,610	-	-	58,610
Liabilities:								
Current Liabilities	6,257,735	2,224,843	2,288,087	1,452,176	11,315,382	23,699,408	15,424,453	62,662,084
Noncurrent Liabilities	4,714,152	-	649,827	-	17,213,610	318,845,784	1,667,457	343,090,830
Total Liabilities	10,971,887	2,224,843	2,937,914	1,452,176	28,528,992	342,545,192	17,091,910	405,752,914
Net Position:								
Net Investment in Capital Assets	8,705,639	-	1,547,312	637,744	23,047,360	-	3,877,866	37,815,921
Restricted Nonexpendable	638,967,071	1,302,942	103,718	-	-	-	6,340,000	646,713,731
Unrestricted	5,293,132	4,245,183	2,470,695	(288,683)	39,506,629	5,820,814	69,841,455	126,889,225
Total Net Position	$ 652,965,842	$ 5,548,125	$ 4,121,725	$ 349,061	$ 62,553,989	$ 5,820,814	$ 80,059,321	$ 811,418,877

(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**	**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	$ 70,999,032	$ 2,702,330	$ 15,207,053	$ 1,885,218	$ 13,893,387	$ 58,127,315	$ 298,979,486	$ 461,793,821
Operating Expenses	(64,899,288)	(2,681,084)	(12,856,844)	(1,955,318)	(11,020,571)	(36,754,009)	(286,680,676)	(416,847,790)
Operating Income (Loss)	6,099,744	21,246	2,350,209	(70,100)	2,872,816	21,373,306	12,298,810	44,946,031
Net Nonoperating Revenues (Expenses)	51,739,443	613,957	(639,097)	(543,992)	2,457,246	(20,984,874)	(2,987,225)	29,655,458
Increase (Decrease) in Net Position	57,839,187	635,203	1,711,112	(614,092)	5,330,062	388,432	9,311,585	74,601,489
Net Position, Beginning of Year	595,126,655	4,912,922	2,410,613	963,153	57,223,927	5,432,382	70,747,736	736,817,388
Net Position, End of Year	$ 652,965,842	$ 5,548,125	$ 4,121,725	$ 349,061	$ 62,553,989	$ 5,820,814	$ 80,059,321	$ 811,418,877

(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.

24. Consolidation of Institutions

The University of South Florida was legislatively mandated to consolidate its separately accredited institutions into one institution with two remote instructional sites effective July 1, 2020. The Southern Association of Colleges and Schools, which establishes the accreditation requirements for institutions of higher education, requires financial audit reports for consolidating institutions for the two most recent years. To meet these requirements, statements of net position, revenues, expenses, and changes in net position, cash flows are presented, as follows:

Statement of Net Position

	USF Tampa	USF St. Petersburg	USF Sarasota-Manatee	Total USF System
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 62,484,484	$ 4,087,679	$ 2,068,331	$ 68,640,494
Investments	604,923,386	43,139,018	21,886,821	669,949,225
Accounts Receivable, Net	68,038,768	2,229,542	456,271	70,724,581
Loans and Notes Receivable, Net	2,013,915	111,101	26,129	2,151,145
Due from State	80,196,408	4,723,699	798,441	85,718,548
Due from Component Units	11,882,143	23,348	2,465	11,907,956
Inventories	268,651	-	-	268,651
Other Current Assets	1,261,276	-	-	1,261,276
Total Current Assets	831,069,031	54,314,387	25,238,458	910,621,876
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	1,614,874	103,088	318	1,718,280
Restricted Investments	67,130,646	1,092,849	3,367	68,226,862
Loans and Notes Receivable, Net	2,729,749	181,271	42,631	2,953,651
Depreciable Capital Assets, Net	757,511,761	73,698,541	27,643,034	858,853,336
Nondepreciable Capital Assets	87,311,711	8,487,274	2,754,797	98,553,782
Total Noncurrent Assets	916,298,741	83,563,023	30,444,147	1,030,305,911
Total Assets	1,747,367,772	137,877,410	55,682,605	1,940,927,787
DEFERRED OUTFLOWS OF RESOURCES				
Other Postemployment Benefits	10,502,818	674,682	314,500	11,492,000
Pensions	142,976,180	9,184,534	4,281,323	156,442,037
Total Deferred Outflows of Resources	153,478,998	9,859,216	4,595,823	167,934,037
LIABILITIES				
Current Liabilities:				
Accounts Payable	34,281,838	1,124,561	198,657	35,605,056
Construction Contracts Payable	7,210,178	264,011	-	7,474,189
Salary and Wages Payable	32,796,628	1,739,735	743,488	35,279,851
Deposits Payable	4,457,475	157,506	6,504	4,621,485
Due to Component Units	68,917,165	127,607	-	69,044,772
Unearned Revenue	29,459,908	176,538	28,309	29,664,755
Long-Term Liabilities - Current Portion:	-			
Capital Improvement Debt Payable	2,538,479	-	-	2,538,479
Installment Purchases Payable	138,865	-	-	138,865
Capital Leases Payable	129,661	-	-	129,661
Estimated Insurance Claims Payable	1,597,571	-	-	1,597,571
Compensated Absences Payable	6,273,254	302,523	118,251	6,694,028
Dining Facility Fee Payable	20,865	-	-	20,865
Other Post Employment Benefits Payable	5,738,531	368,633	171,836	6,279,000
Net Pension Liability	2,018,863	129,688	60,454	2,209,005
Total Current Liabilities	195,579,281	4,390,802	1,327,499	201,297,582

Statement of Net Position (Continued)

	USF Tampa	USF St. Petersburg	USF Sarasota-Manatee	Total USF System
Liabilities (Continued)				
Noncurrent Liabilities:				
Capital Improvement Debt Payable	$ 14,934,354	$ -	$ -	$ 14,934,354
Installment Purchases Payable	189,249	-	-	189,249
Capital Leases Payable	314,854	-	-	314,854
Estimated Insurance Claims Payable	26,087,669	-	-	26,087,669
Compensated Absences Payable	73,870,771	3,562,366	1,392,469	78,825,606
Federal Advance Payable	2,535,659	212,306	48,425	2,796,390
Dining Facility Payable	4,705,288	-	-	4,705,288
Other Postemployment Benefits Payable	402,231,796	25,838,650	12,044,554	440,115,000
Net Pension Liability	279,305,061	17,942,056	8,363,598	305,610,715
Total Noncurrent Liabilities	804,174,701	47,555,378	21,849,046	873,579,125
Total Liabilities	999,753,982	51,946,180	23,176,545	1,074,876,707
DEFERRED INFLOWS OF RESOURCES				
Other Postemployment Benefits	57,676,849	3,705,058	1,727,093	63,109,000
Pensions	12,764,478	819,967	382,224	13,966,669
Deferred Service Concession Arrangement Receipts	54,511,702	-	-	54,511,702
Total Deferred Inflows of Resources	124,953,029	4,525,025	2,109,317	131,587,371
NET POSITION				
Net Investment in Capital Assets	696,328,317	82,185,815	30,397,831	808,911,963
Restricted for Expendable:				
Debt Service	1,753,532	-	-	1,753,532
Loans	4,949,199	81,225	20,651	5,051,075
Capital Projects	84,955,872	5,616,373	802,126	91,374,371
Other	156,382,928	1,977,152	2,786,485	161,146,565
Unrestricted	(168,230,089)	1,404,856	985,473	(165,839,760)
TOTAL NET POSITION	$ 776,139,759	$ 91,265,421	$ 34,992,566	$ 902,397,746

Statement of Revenues, Expenses, and Changes in Net Position

	USF Tampa	USF St. Petersburg	USF Sarasota-Manatee	Total USF System
REVENUES				
Operating Revenues:				
Student Tuition and Fees, Net of Scholarship Allowances	$ 249,570,221	$ 21,526,593	$ 10,192,407	$ 281,289,221
Federal Grants and Contracts	204,694,780	3,190,510	33,999	207,919,289
State and Local Grants and Contracts	27,351,661	657,809	-	28,009,470
Nongovernmental Grants and Contracts	195,209,531	386,164	77,106	195,672,801
Sales and Services of Auxiliary Enterprises	135,848,654	9,760,636	542,412	146,151,702
Interest on Loans and Notes Receivable	202,009	-	-	202,009
Other Operating Revenues	12,718,758	967	-	12,719,725
Total Operating Revenues	825,595,614	35,522,679	10,845,924	871,964,217
EXPENSES				
Operating Expenses:				
Compensation and Employee Benefits	851,399,510	52,793,830	23,898,039	928,091,379
Services and Supplies	302,261,728	17,540,164	3,324,414	323,126,306
Utilities and Communications	21,672,483	2,515,700	324,089	24,512,272
Scholarships, Fellowships, and Waivers	77,103,790	9,063,540	4,046,749	90,214,079
Depreciation	47,590,570	3,693,351	1,304,523	52,588,444
Self-Insurance Claims	3,019,925	-	-	3,019,925
Total Operating Expenses	1,303,048,006	85,606,585	32,897,814	1,421,552,405
Operating Loss	(477,452,392)	(50,083,906)	(22,051,890)	(549,588,188)
NONOPERATING REVENUES (EXPENSES)				
State Noncapital Appropriations	372,736,956	32,062,745	15,766,368	420,566,069
Federal and State Student Financial Aid	116,616,279	13,052,051	5,017,001	134,685,331
Noncapital Grants and Donations	20,403,200	983,642	566,957	21,953,799
Investment Income	17,230,095	704,413	354,326	18,288,834
Other Nonoperating Revenues	2,293,200	-	361	2,293,561
Loss on Disposal of Capital Assets	(715,617)	(124,094)	-	(839,711)
Interest on Capital Asset-Related Debt	(736,154)	-	-	(736,154)
Other Nonoperating Expenses	(46,083,537)	(3,418,730)	-	(49,502,267)
Net Nonoperating Revenues	481,744,422	43,260,027	21,705,013	546,709,462
Income (Loss) Before Other Revenues	4,292,030	(6,823,879)	(346,877)	(2,878,726)
State Capital Appropriations	23,263,098	4,292,198	415,971	27,971,267
Capital Grants, Contracts, Donations, and Fees	10,888,910	48,477	-	10,937,387
Transfers to/from Other University Institutions, Net	1,346,941	(981,714)	(365,227)	-
Increase (Decrease) in Net Position	39,790,979	(3,464,918)	(296,133)	36,029,928
Net Position, Beginning of Year	1,037,795,747	114,094,751	44,315,320	1,196,205,818
Adjustment to Beginning Net Position	(301,446,967)	(19,364,412)	(9,026,621)	(329,838,000)
Net Position, Beginning of Year, as Restated	736,348,780	94,730,339	35,288,699	866,367,818
Net Position, End of Year	$ 776,139,759	$ 91,265,421	$ 34,992,566	$ 902,397,746

Statement of Cash Flows

	USF Tampa	USF St. Petersburg	USF Sarasota-Manatee	Total USF System
CASH FLOWS FROM OPERATING ACTIVITIES				
Student Tuition and Fees, Net	$ 250,501,927	$ 21,642,321	$ 10,203,577	$ 282,347,825
Grants and Contracts	426,006,192	4,482,875	78,608	430,567,675
Sales and Services of Auxiliary Enterprises	135,818,820	9,760,636	542,412	146,121,868
Interest on Loans and Notes Receivable	189,636	-	-	189,636
Payments to Employees	(804,406,111)	(49,549,856)	(22,135,207)	(876,091,174)
Payments to Suppliers for Goods and Services	(315,886,796)	(19,742,795)	(3,893,212)	(339,522,803)
Payments to Students for Scholarships and Fellowships	(77,103,790)	(9,063,540)	(4,046,749)	(90,214,079)
Payments on Self-Insurance Claims and Expenses	(1,752,179)	-	-	(1,752,179)
Loans Issued to Students	(504,144)	-	-	(504,144)
Collection on Loans to Students	1,514,587	-	-	1,514,587
Other Operating Receipts	12,454,716	(136,033)	-	12,318,683
Net Cash Used by Operating Activities	(373,167,142)	(42,606,392)	(19,250,571)	(435,024,105)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Noncapital Appropriations	372,736,956	32,062,745	15,766,368	420,566,069
Federal and State Student Financial Aid	115,065,680	14,035,693	5,583,958	134,685,331
Noncapital Grants, Contracts, and Donations	21,542,758	-	-	21,542,758
Federal Direct Loan Program Receipts	212,354,379	18,574,392	7,113,672	238,042,443
Federal Direct Loan Program Disbursements	(212,354,379)	(18,574,392)	(7,113,672)	(238,042,443)
Operating Subsidies and Transfers	3,930,633	(1,550,282)	37,355	2,417,706
Net Change in Funds Held for Others	(1,794,970)	(16,453)	(75)	(1,811,498)
Other Nonoperating Receipts	20,020,497	3,550	361	20,024,408
Other Nonoperating Disbursements	(59,369,017)	(2,960,448)	-	(62,329,465)
Net Cash Provided by Noncapital Financing Activities	472,132,537	41,574,805	21,387,967	535,095,309
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State Capital Appropriations	31,824,190	879,550	27,019	32,730,759
Capital Grants, Contracts, Donations and Fees	2,149,628	-	-	2,149,628
Purchase or Construction of Capital Assets	(82,913,251)	(3,928,570)	(3,489,082)	(90,330,903)
Principal Paid on Capital Debt and Leases	(2,811,035)	-	-	(2,811,035)
Interest Paid on Capital Debt and Leases	(491,926)	-	-	(491,926)
Net Cash Used by Capital and Related Financing Activities	(52,242,394)	(3,049,020)	(3,462,063)	(58,753,477)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales and Maturities of Investments	8,096,321	5,430,974	1,264,582	14,791,877
Purchases of Investments	(71,663,625)	(3,095,903)	(720,870)	(75,480,398)
Investment Income	16,360,746	866,911	413,971	17,641,628
Net Cash Provided (Used) by Investing Activities	(47,206,558)	3,201,982	957,683	(43,046,893)
Net Increase in Cash and Cash Equivalents	(483,557)	(878,625)	(366,984)	(1,729,166)
Cash and Cash Equivalends, Beginning of Year	64,582,915	5,069,392	2,435,633	72,087,940
Cash and Cash Equivalents, End of Year	$ 64,099,358	$ 4,190,767	$ 2,068,649	$ 70,358,774

Statement of Cash Flows (Continued)

	USF Tampa	USF St. Petersburg	USF Sarasota-Manatee	Total USF System
RECONCILIATION OF OPERATING LOSS LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	$ (477,452,392)	$ (50,083,906)	$ (22,051,890)	$ (549,588,188)
Adjustments to Reconcile Operating Loss to Net Cash used by Operating Activities:				
Depreciation Expense	47,590,570	3,693,351	1,304,523	52,588,444
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:				
Receivables, Net	12,877,451	308,131	4,057	13,189,639
Loans and Notes Receivable, Net	1,010,443	-	-	1,010,443
Inventories	(36,613)	-	-	(36,613)
Other Assets	(571,745)	-	-	(571,745)
Accounts Payable	8,235,649	313,070	(244,709)	8,304,010
Salaries and Wages Payable	2,322,714	108,508	57,257	2,488,479
Deposits Payable	(344,671)	(137,000)	-	(481,671)
Compensated Absences Payable	3,047,730	242,883	107,649	3,398,262
Unearned Revenue	(12,748,573)	55,989	(25,383)	(12,717,967)
Estimated Insurance Claims Payable	1,267,746	-	-	1,267,746
Other Postemployment Benefits	(31,680,068)	(1,924,839)	(771,093)	(34,376,000)
Deferred Outflows of Resources Related to Other Employment Benefits	(5,340,973)	(343,095)	(159,932)	(5,844,000)
Deferred Inflows of Resources Related to Other Employment Benefits	57,676,849	3,705,058	1,727,093	63,109,000
Net Pension Liability	27,250,505	1,961,036	1,155,059	30,366,600
Deferred Outflows of Resources Related to Pensions	(17,149,529)	(1,205,909)	(681,447)	(19,036,885)
Deferred Inflows of Resources Related to Pensions	10,877,765	700,331	328,245	11,906,341
NET CASH USED BY OPERATING ACTIVITIES	$ (373,167,142)	$ (42,606,392)	$ (19,250,571)	$ (435,024,105)

25. Subsequent Events

USF Financing Corporation – Component Unit

(a) Change in Accounting Framework Effective for Year Ending June 30, 2019

As a result of the Florida Excellence in Higher Education Act of 2018, for all universities within the State University System (SUS) of Florida, the university board of trustees must approve all appointments to the board of directors of any university direct support organization (DSO). This change will require all SUS university DSOs, including USF Financing Corporation and USF Property Corporation, to follow the Governmental Accounting Standards Board (GASB) financial accounting framework beginning in the fiscal year ending June 30, 2019.

(b) Conversion of the Series 2013B Health Certificates

On July 2, 2018, the USF Financing Corporation converted the Series 2013B Health Certificates with an outstanding par amount of $17,925,000, subsequent to the principal payment made on that day, from a variable rate to a 20-year fixed rate of 3.39 percent. The associated interest rate swap expired on

July 1, 2018. The $1,000,000 in swap collateral was returned to the USF Financing Corporation on July 9, 2018, and the Corporation subsequently returned the funds to UMSA.

(c) Amendment to Series 2012B Housing Certificates

On July 1, 2018, the USF Financing Corporation amended the continuing covenant agreement and swap agreement related to the Series 2012B Housing Certificates to mitigate the increase in the interest rate resulting from the change in U.S. corporate tax rate. The all-in true interest rate effective July 1, 2018, is 4.669 percent.

(d) Amendment to Series 2013A Health Certificates

On July 1, 2018, the USF Financing Corporation amended the continuing covenants agreement related to the Series 2013A Health Certificates to mitigate the increase in the interest rate resulting from the change in U.S. corporate tax rate, and to eliminate subjective acceleration clauses and other bank-favorable covenants. The interest rate effective July 1, 2018, is 2.71 percent.

(e) Amendments to Series 2003A Athletics Certificates and Series 2013 Arena Note

On July 1, 2018, the USF Financing Corporation amended the credit agreement related to the Series 2003A Athletics Certificates and the loan agreement related to the Series 2013 Arena Note to eliminate subjective acceleration clauses and other bank-favorable covenants from the agreements.

(f) Issuance of the Series 2018 Housing Certificates

On January 16, 2019, as authorized by the University Board of Trustees in July 2018, by the Florida Board of Governors in November 2018, and by the USF Financing Corporation Board of Directors in November 2018, the USF Financing Corporation issued the $30,140,000 Certificates of Participation, Series 2018 to fund the construction of the University of South Florida St. Petersburg Housing and Dining Project. The final maturity date is 2048 and the Certificates were issued at a tax exempt all-in fixed interest of 3.99%.

(g) Issuance of the Series 2019 Housing Certificates

On January 16, 2019, as authorized by the USF Financing Corporation Board of Directors in November 2018, the USF Financing Corporation refunded the $15,140,000 outstanding Series 2010B Housing Certificates of Participation with the issuance of the Series 2019 Refunding Certificates of Participation in a par amount of $15,510,000. The final maturity date is 2040 and the Certificates were issued at a tax-exempt all-in fixed rate of 3.68%.

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

	2017 (1)	2016 (1)
University's proportion of the total other postemployment benefits liability	4.13%	4.07%
University's proportionate share of the total other postemployment benefits liability	$ 446,394,000	$ 480,770,000
University's covered-employee payroll	$ 512,542,210	$ 490,228,479
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	87.09%	98.07%

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

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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.775094790%	0.763712910%	0.764319997%	0.718476151%	0.558052129%
University's proportion share of the FRS net pension liability	$ 229,267,838	$ 192,838,109	$ 98,722,179	$ 43,837,611	$ 96,065,609
University's covered payroll (2)	$ 512,542,210	$ 490,228,479	$ 466,345,909	$ 443,554,247	$ 431,524,683
University's proportion share of the FRS net pension liability as a percentage of its covered payroll	44.73%	39.34%	21.17%	9.88%	22.26%
FRS Plan fiduciary net pension as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 23,643,944	$ 20,316,942	$ 18,547,490	$ 18,634,771	$ 15,737,677
FRS contributions in relation to the contractually required contribution	(23,643,944)	(20,316,942)	(18,547,490)	(18,634,771)	(15,737,677)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 539,620,556	$ 512,542,210	$490,228,479	$ 466,345,909	$ 443,554,247
FRS contributions as a percentage of covered payroll	4.38%	3.96%	3.78%	4.00%	3.55%

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

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

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

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
University's proportion of the HIS net pension liability	0.734647326%	0.726023325%	0.706815530%	0.668866670%	0.662647783%
University's proportion share of the HIS net pension liability	$ 78,551,882	$ 84,615,011	$ 72,084,066	$ 62,540,666	$ 57,692,202
University's covered payroll (2)	$ 229,109,865	$ 220,376,032	$ 208,898,281	$ 194,843,828	$ 189,351,023
University's proportion share of the HIS net pension liability as a percentage of its covered payroll	34.29%	38.40%	34.51%	32.10%	30.47%
HIS Plan fiduciary net pension as a percentage of the FRS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 4,035,035	$ 3,803,232	$ 3,647,462	$ 2,701,889	$ 2,291,312
HIS contributions in relation to the contractually required HIS contribution	(4,035,035)	(3,803,232)	(3,647,462)	(2,701,889)	(2,291,312)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 238,582,447	$ 229,109,865	$ 220,376,032	$ 208,898,281	$ 194,843,828
HIS contributions as a percentage of covered payroll	1.69%	1.66%	1.66%	1.29%	1.18%

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

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

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The University's June 30, 2018, proportionate share of the total OPEB liability significantly decreased from the prior fiscal year as a result of changes to benefits and assumptions as discussed below:

Changes of Assumptions. In 2018, amounts reported as changes of assumptions resulted from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return. (Refer to Note 12. to the financial statements for further detail.)

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

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 increased from 2.85 percent to 3.58 percent.

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The President of the Senate, the Speaker of the
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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, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 22, 2019, 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*.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 22, 2019