STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2020-075
December 2019

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2019

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

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

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722

UNIVERSITY OF SOUTH FLORIDA

TABLE OF CONTENTS

SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2019. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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, 2019, 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 3.2 percent, 4.6 percent, and 0.8 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's 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 December 12, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of South Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
December 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

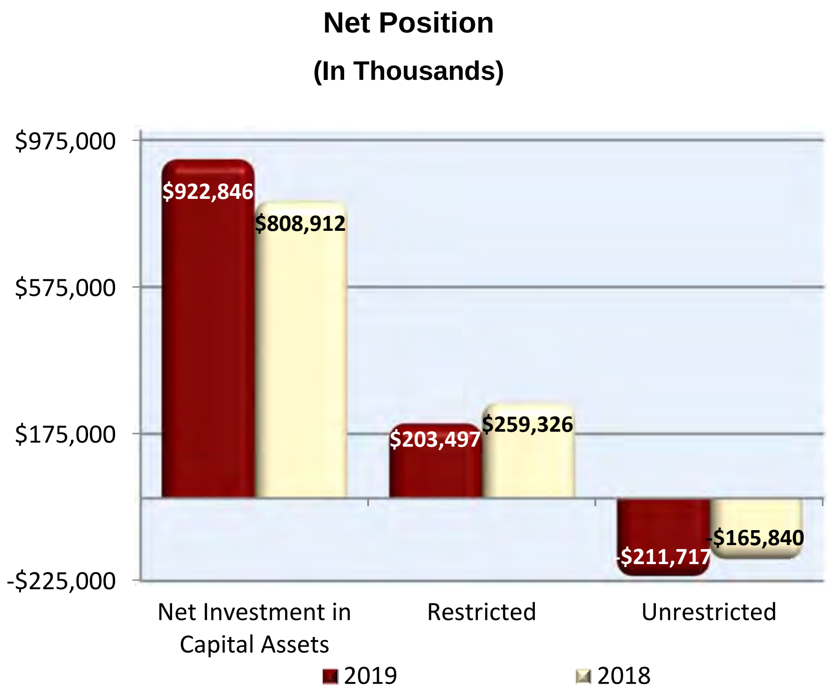
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2019, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2019, and June 30, 2018.

FINANCIAL HIGHLIGHTS

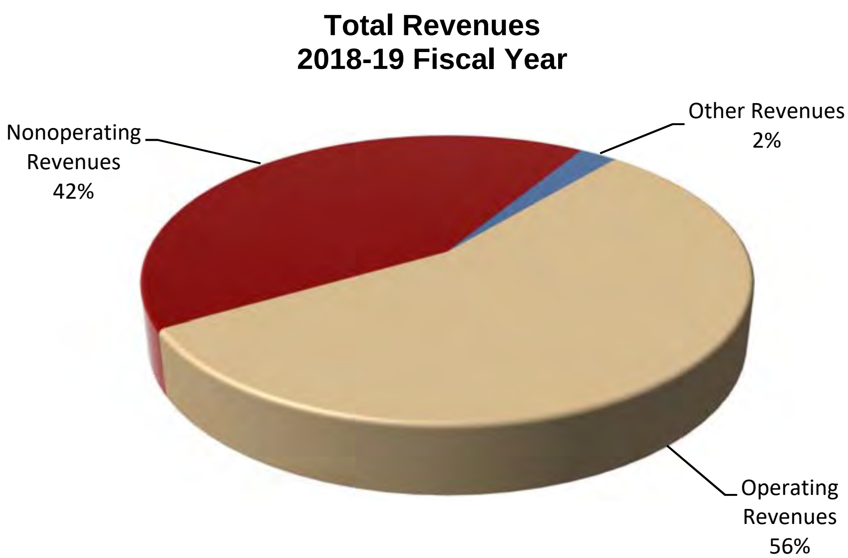
The University's assets and deferred outflows of resources totaled $2.4 billion at June 30, 2019. This balance reflects a $302.7 million, or 14.4 percent, increase as compared to the 2017-18 fiscal year, resulting from increases in capital assets and investments. While assets and deferred outflows of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

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

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2019, and June 30, 2018, is shown in the following graph:



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



OVERVIEW OF FINANCIAL STATEMENTS

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

- Blended Component Unit:
  - University of South Florida Health Sciences Center Self-Insurance Program
- Discretely Presented Component Units:
  - University of South Florida Foundation, Inc.
  - University of South Florida Alumni Association, Inc.
  - USF Health Professions Conferencing Corporation
  - University of South Florida Institute of Applied Engineering, Inc.
  - University of South Florida Medical Services Support Corporation
  - Sun Dome, Inc.
  - University of South Florida Research Foundation, Inc.
  - USF Financing Corporation
  - USF Property Corporation
  - University Medical Service Association, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. With the exception of the University of South Florida Health Sciences Center Insurance Company (HSCIC) component of the University of South Florida Health Sciences Center Self-Insurance Program, all of the component units now report under GASB standards as described in Note 2., and MD&A information is included in their separately issued audit reports.

<u>The Statement of Net Position</u>

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)

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

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

Net capital assets increased a total of $324.3 million between the two fiscal years due mainly to increases in property under capital lease and leasehold improvements, buildings, and construction in progress. Net property under capital lease and leasehold improvements increased $162.9 million as a result of a change in the accounting relationship between the University and the USF Financing Corporation (USFFC) brought about by USFFC's conversion from Financial Accounting Standards Board (FASB) to GASB accounting standards discussed in Notes 2. and 3. Net buildings increased $56.4 million primarily due to the substantial completion of Phase II of the student housing and retail facilities constructed as part of the service concession arrangement discussed in Note 10. Construction in progress increased $92.1 million primarily due to the USF Morsani College of Medicine and USF Health Heart Institute project.

Other noncurrent assets increased $11.5 million primarily due to the reclassification of expenses for fixed asset purchases not yet capitalized and placed in service at year-end.

Deferred inflows of resources increased $101.3 million relating to OPEB, service concession arrangement, and pension activity.

Total liabilities increased $189.3 million. Major components of this increase include an increase in capital leases payable of $223.9 million partially offset by a $65 million decrease in due to component units, primarily due to the change in the accounting relationship with USFFC, an increase in the GASB Statement No. 68 net pension liability of $20.8 million, and $20 million of long term rent revenue received in advance from Tampa General Hospital as discussed in Note 12.

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 2018-19 and 2017-18 fiscal years:

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

(In Thousands)

	2018-19	2017-18
Operating Revenues	$ 849,212	$ 871,964
Less, Operating Expenses	1,480,807	1,421,552
Operating Loss	(631,595)	(549,588)
Net Nonoperating Revenues	599,677	546,709
Loss Before Other Revenues	(31,918)	(2,879)
Other Revenues	36,340	38,909
Net Increase In Net Position	4,422	36,030
Net Position, Beginning of Year	902,398	1,196,206
Adjustment to Beginning Net Position (1)	7,806	(329,838)
Net Position, Beginning of Year, as Restated	910,204	866,368
Net Position, End of Year	$ 914,626	$ 902,398

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

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2018-19 and 2017-18 fiscal years:

Operating Revenues
For the Fiscal Years

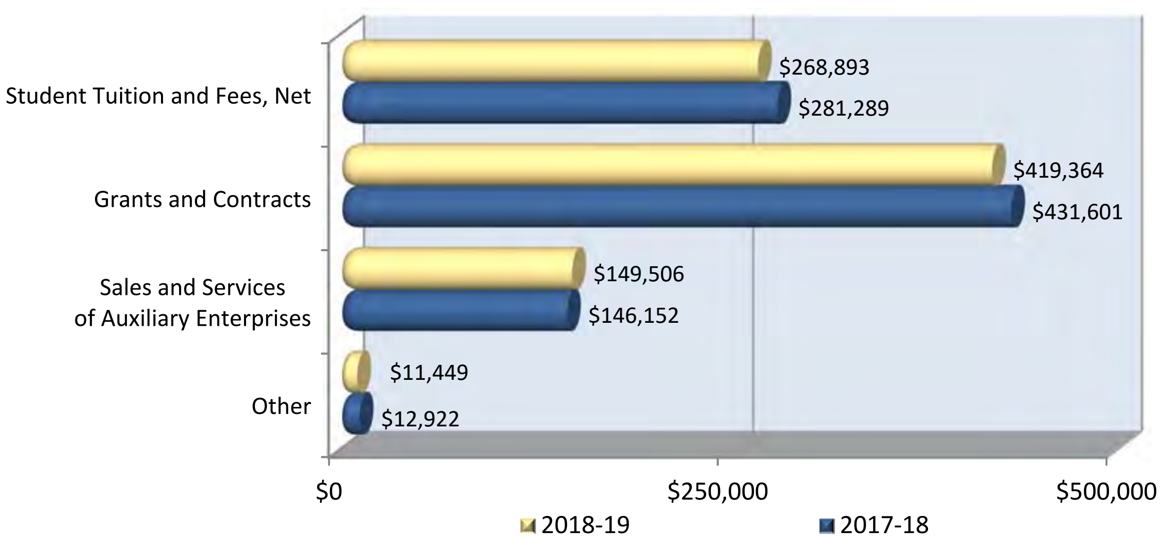
(In Thousands)

	2018-19	2017-18
Student Tuition and Fees, Net	$ 268,893	$ 281,289
Grants and Contracts	419,364	431,601
Sales and Services of Auxiliary Enterprises	149,506	146,152
Other	11,449	12,922
Total Operating Revenues	$ 849,212	$ 871,964

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

Operating Revenues

(In Thousands)



University operating revenues decreased by $22.8 million, or 2.6 percent. This is primarily attributed to a $12.4 million decrease in net student tuition and fees due to a $10.4 million increase in scholarship allowances as well as a $12.2 million decrease in grants and contracts revenues resulting from a $16.7 million decrease in nongovernmental grants and contracts.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2018-19 and 2017-18 fiscal years:

Operating Expenses
For the Fiscal Years

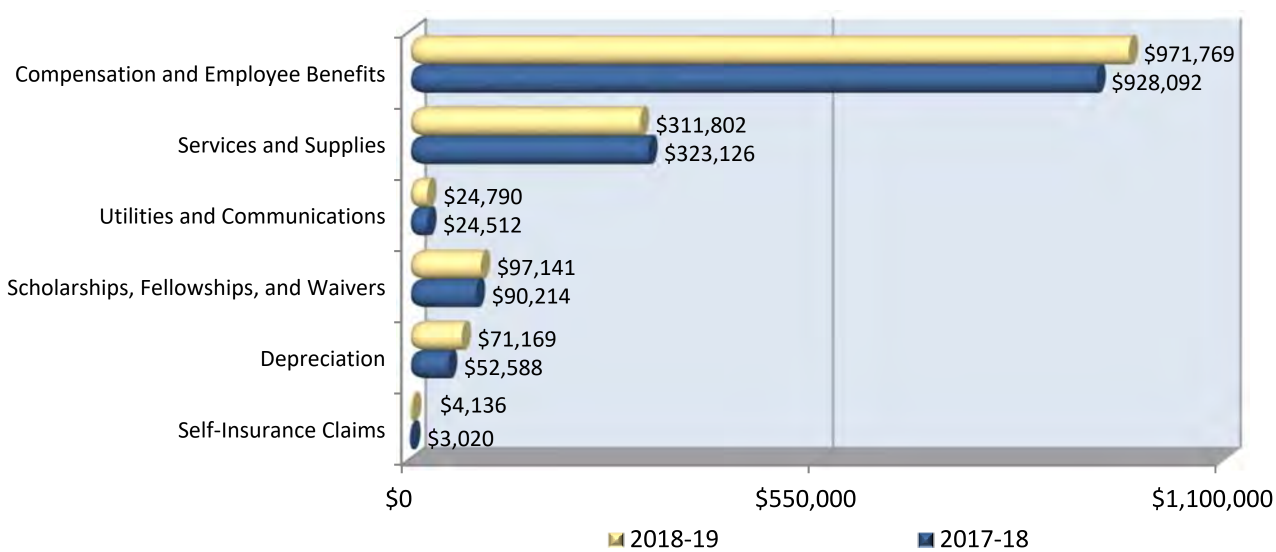
(In Thousands)

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

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

Operating Expenses

(In Thousands)



Total operating expenses increased by $59.3 million, or 4.2 percent, resulting primarily from a $43.7 million increase in compensation and employee benefits and an $18.6 million increase in depreciation. The increase in compensation and employee benefits was primarily due to expenses associated with salary and benefit increases as well as new employees. The increase in depreciation was largely due to the increase in property under capital leases and leasehold improvements from the change in the accounting relationship with USF Financing Corporation.

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 2018-19 and 2017-18 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2018-19	**2017-18**
State Noncapital Appropriations	$426,591	$420,566
Federal and State Student Financial Aid	147,474	134,685
Noncapital Grants and Donations	25,561	21,954
Investment Income	41,388	18,289
Other Nonoperating Revenues	2,621	2,293
Loss on Disposal of Capital Assets	(392)	(840)
Interest on Capital Asset-Related Debt	(13,445)	(736)
Other Nonoperating Expenses	(30,121)	(49,502)
Net Nonoperating Revenues	$599,677	$546,709

Total net nonoperating revenues increased by $53 million, or 9.7 percent. Major contributors to this increase include an increase of $23.1 million in investment income primarily from unrealized gains on investments, an increase in Federal and State student financial aid of $12.8 million for State of Florida scholarship programs, and a decrease in other nonoperating expenses of $19.4 million. The decrease in other nonoperating expenses is mainly due to decreased transfers to USFFC and decreased transfers to the University Medical Service Association (UMSA), mostly for house staff. The decrease in transfers to USFFC stems from the change in the accounting relationship between USF and USFFC as significant transfer payments are now classified as capital lease payments. As a result, the decrease in other nonoperating expenses is partially offset by a $12.7 million increase in interest on capital asset-related debt.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2018-19 and 2017-18 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

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

The Statement of Cash Flows

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

The following summarizes cash flows for the 2018-19 and 2017-18 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

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

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

Cash used by operating activities increased by $62.2 million, largely due to an increase in payments made to and on behalf of employees. Cash provided by noncapital financing activities increased by $27.3 million as a result of a decrease in cash used by other nonoperating disbursements. Cash used by capital and related financing activities increased $28.5 million primarily due to a $22.2 million increase in principal and interest paid on capital debt and leases. The increase in principal and interest paid is related to the decrease in other nonoperating disbursements. Transfers to USFFC previously recorded as other nonoperating expenses were reclassified to capital lease payments as a result of USFFC's conversion from FASB to GASB. Cash provided by investing activities increased by $46.3 million due to an increase in proceeds from sales and maturities of investments and investment income.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the University had $2.1 billion in capital assets, less accumulated depreciation of $827.1 million, for net capital assets of $1.3 billion. Depreciation charges for the current fiscal year totaled $71.2 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

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

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

Capital Expenses and Commitments

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

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

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

Debt Administration

As of June 30, 2019, the University had $239.5 million in outstanding capital improvement debt payable, installment purchases payable, and capital leases payable, representing an increase of $221.2 million, or 1,212.6 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)

	2019	2018
Capital Improvement Debt	$ 14,934	$ 17,473
Installment Purchases	189	328
Capital Leases	224,368	444
Total	$239,491	$ 18,245

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 2019-20 fiscal year provided a 1.2 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.

THIS PAGE INTENTIONALLY LEFT BLANK

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

June 30, 2019

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

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	91,423,161
Certificates of Participation Payable	-	253,565,700
Capital Improvement Debt Payable	12,335,875	-
Loans and Notes Payable	-	7,710,380
Installment Purchases Payable	75,361	-
Capital Leases Payable	214,308,360	64,969,156
Estimated Insurance Claims Payable	27,957,375	-
Compensated Absences Payable	81,807,227	-
Federal Advance Payable	2,850,182	-
Other Noncurrent Liabilities	-	15,571,397
Dining Fee Facility Payable	4,683,171	-
Revenue Received in Advance	20,000,000	-
Other Postemployment Benefits Payable	429,500,000	-
Net Pension Liability	326,584,640	-
Total Noncurrent Liabilities	1,120,102,191	433,239,794
Total Liabilities	1,264,139,177	517,115,940
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	87,752,000	-
Pensions	28,580,958	-
Deferred Service Concession Arrangement Receipts	116,510,763	-
Irrevocable Split-Interest Agreements	-	17,470,989
Grants Received in Advance	-	1,540,083
Deferred Gain on Debt Refunding	-	247,131
Total Deferred Inflows of Resources	232,843,721	19,258,203
NET POSITION		
Net Investment in Capital Assets	922,846,418	40,783,989
Restricted for Nonexpendable:		
Endowment	-	344,913,619
Restricted for Expendable:		
Debt Service	1,751,434	-
Loans	5,118,344	-
Capital Projects	23,538,596	-
Other	173,088,603	278,206,249
Unrestricted	(211,717,376)	132,863,095
TOTAL NET POSITION	$ 914,626,019	$ 796,766,952

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, 2019

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $142,051,147 ($3,203,573 Pledged for the Parking System Revenue Bonds)	$ 268,893,387	$ -
Federal Grants and Contracts	210,238,794	-
State and Local Grants and Contracts	30,116,310	-
Nongovernmental Grants and Contracts	179,009,018	76,507,648
Sales and Services of Auxiliary Enterprises ($11,188,456 Pledged for the Parking System Revenue Bonds)	149,506,341	-
Sales and Services of Component Units	-	250,687,490
Royalties and Licensing Fees	-	4,181,439
Gifts and Donations	-	51,960,565
Interest on Loans and Notes Receivable	214,381	-
Other Operating Revenues	11,234,043	35,769,425
Total Operating Revenues	849,212,274	419,106,567
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	971,769,168	232,220,417
Services and Supplies	311,801,720	150,980,975
Utilities and Communications	24,789,873	1,568,122
Scholarships, Fellowships, and Waivers	97,140,544	10,433,107
Depreciation	71,168,998	8,851,716
Self-Insurance Claims	4,136,542	-
Total Operating Expenses	1,480,806,845	404,054,337
Operating Income (Loss)	(631,594,571)	15,052,230
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	426,590,843	-
Federal and State Student Financial Aid	147,473,848	-
Noncapital Grants and Donations	25,560,853	-
Investment Income	41,388,166	27,712,888
Other Nonoperating Revenues	2,621,244	15,621,223
Loss on Disposal of Capital Assets	(391,589)	(240)
Interest on Capital Asset-Related Debt	(13,445,230)	(14,600,465)
Other Nonoperating Expenses	(30,121,465)	(1,973,689)
Net Nonoperating Revenues	599,676,670	26,759,717
Income (Loss) Before Other Revenues	(31,917,901)	41,811,947
Additions to Permanent Endowments	-	9,593,163
State Capital Appropriations	19,879,661	-
Capital Grants, Contracts, Donations, and Fees	16,460,138	800,000
Increase in Net Position	4,421,898	52,205,110
Net Position, Beginning of Year	902,397,746	811,418,877
Adjustment to Beginning Net Position	7,806,375	(66,857,035)
Net Position, Beginning of Year, as Restated	910,204,121	744,561,842
Net Position, End of Year	$ 914,626,019	$ 796,766,952

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

For the Fiscal Year Ended June 30, 2019

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 271,191,896
Grants and Contracts	420,047,609
Sales and Services of Auxiliary Enterprises	170,525,069
Interest on Loans Receivable	197,967
Payments to Employees	(923,493,539)
Payments to Suppliers for Goods and Services	(349,943,226)
Payments to Students for Scholarships and Fellowships	(97,140,544)
Payments on Self-Insurance Claims	(2,463,920)
Loans Issued to Students	(409,728)
Collection on Loans to Students	997,019
Other Operating Receipts	13,315,213
Net Cash Used by Operating Activities	(497,176,184)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	426,590,843
Federal and State Student Financial Aid	147,473,848
Noncapital Grants, Contracts and Donations	25,030,113
Federal Direct Loan Program Receipts	226,112,604
Federal Direct Loan Program Disbursements	(226,112,604)
Operating Subsidies and Transfers	(7,262,190)
Net Change in Funds Held for Others	(320,743)
Other Nonoperating Receipts	32,309
Other Nonoperating Disbursements	(29,158,475)
Net Cash Provided by Noncapital Financing Activities	562,385,705
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	76,251,679
Capital Grants, Contracts, Donations and Fees	22,379,254
Purchase or Construction of Capital Assets	(160,371,648)
Principal Paid on Capital Debt and Leases	(12,056,734)
Interest Paid on Capital Debt and Leases	(13,434,119)
Net Cash Used by Capital and Related Financing Activities	(87,231,568)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	33,240,582
Purchases of Investments	(72,318,664)
Investment Income	42,370,795
Net Cash Provided by Investing Activities	3,292,713
Net Decrease in Cash and Cash Equivalents	(18,729,334)
Cash and Cash Equivalents, Beginning of Year	70,358,774
Cash and Cash Equivalents, End of Year	$ 51,629,440

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

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized losses on investments were recognized as a decrease to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (982,628)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (391,589)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 180,885

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The University is a separate public instrumentality that is part of the State university 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 presented component units are shown in a subsequent note.

Direct-Support Organizations. The University's direct-support organizations are provided for in Section 1004.28, Florida Statutes, 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 Institute of Applied Engineering, Inc. is organized and operated to provide applied engineering solutions to the United States Federal government as well as other State, County, and Municipal governments and industry. The Institute will enhance scientific research and educational opportunities for the University and community while attracting new technology-focused industries to the local geographic area.
- The University of South Florida Research Foundation, Inc. has been established to provide a means by which inventions and works may be developed, protected, applied, and utilized so that the results of University research will be made available to the public and funds will be made available from the commercial application of inventions and works to be dedicated to the benefit of the University and shared with the inventor/author.
- The USF Financing Corporation (USFFC) was organized and operated to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University of South Florida.
- The USF Property Corporation was formed for the primary purpose of acting as lessor in connection with “lease-purchase” financings in support of the activities and educational purposes of the University of South Florida and of the USF Financing Corporation by assisting in acquiring facilities and construction facilities on the University campus and in general, furthering the University’s education mission.
- The USF Health Professions Conferencing Corporation was established to provide educational, administrative, logistical, and financial services to support the USF Health’s Office of Continuing Professional Development (OCPD). The OCPD is committed to sponsoring quality continuing educational activities to meet the needs of USF faculty, alumni, and healthcare professionals practicing throughout the State, nationally, and internationally.
- The University Medical Service Association, Inc. (UMSA) is approved as the USF Health Faculty Practice Plan (Plan) pursuant to Florida Board of Governors Regulation 9.017 and USF Regulation 9.017. UMSA specifically functions as the University’s agent for the orderly collection and administration of income generated from University faculty practice in accordance with the Plan, and employs and provides personnel to support the USF Health clinical enterprise and mission.
- The University of South Florida Medical Services Support Corporation (MSSC) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. At the September 16, 2015, Board meeting, the Board

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

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. As a result of the legislative changes discussed in Note 2., all of the University's discretely presented component units now follow GASB standards of accounting and financial reporting. The University of South Florida Health Sciences Center Insurance Company (HSCIC) component of the University of South Florida Health Sciences Center Self-Insurance Program follows FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

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

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

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

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

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

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

- Buildings – 10 to 40 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years

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

Noncurrent Liabilities. Noncurrent liabilities include capital improvement debt payable, installment purchases payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advances payable, other postemployment benefits payable, dining facility fee payable, revenue received in advance, and net pension liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

Pensions. For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary 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 Changes

The Florida Legislature passed, and the Governor signed into law Chapter 2018-004, Laws of Florida, a provision that changed Section 1004.28, Florida Statutes, which addresses university direct-support organizations. With this change, the University Board of Trustees is required to approve all direct-support organization board members. Under current accounting guidance, a key factor in determining whether a direct-support organization should report under the accounting and financial reporting standards of the FASB, versus the accounting and financial reporting of the GASB is board control. With the change in the Florida Statute, the University has control of the boards of the direct-support organizations and the FASB reporting model is no longer appropriate. The Sun Dome, Inc. and University of South Florida Research Foundation, Inc. reported under GASB prior to the legislative change. The University of South Florida Institute of Applied Engineering, Inc. is a new direct-support organization reporting under GASB. All other direct-support organizations converted from FASB to the GASB reporting model for the 2018-19 fiscal year.

USFFC's conversion to GASB prompted a change in the accounting relationship between USFFC and the University, from a conduit relationship accounted for in due to/due from transactions to a capital lease relationship pursuant to GASB Statement No. 62. The University recorded a capital lease payable and USFFC recorded a capital lease receivable related to USFFC's outstanding debt. USFFC derecognized the related capital assets, and the University recorded USFFC's derecognized capital assets as property under capital lease and leasehold improvements.

3. Adjustments to Beginning Net Position

The beginning net position of the University was increased by $7,806,375 as a result of the change in the accounting relationship with USFFC as discussed in Note 2. Unwinding the conduit relationship decreased net due to/due from USFFC by $68,519,250, from a $67,781,069 due to USFFC reported as of June 30, 2018, to a $738,181 due from USFFC as of July 1, 2018. The University recorded a capital lease payable in the amount of $233,266,032 and recognized $221,191,515 of property under capital lease and leasehold improvements with related accumulated depreciation of $48,638,358.

4. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (318,458,812)
Auxiliary Funds	106,741,436
Total	$ (211,717,376)

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

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

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, 2019, are valued using following valuation techniques and inputs:

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

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

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

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

Money Market Mutual Funds: This category includes investments in high-quality money market instruments through commingled fund structures. The investment objective of these funds is to maximize 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, 2019, are reported as follows:

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

State Board of Administration Debt Service Accounts.

The University reported investments totaling $5,507 at June 30, 2019, 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, 2019, 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	$ -	$ -	$ -	$ 5,596,321	$ -	$ 5,596,321
Security Pledged to Swap Counterparty	-	-	-	3,750,000	-	3,750,000
Bonds and Notes	-	-	1,366,603	-	-	1,366,603
Stocks and Other Equity Securities	-	-	894,078	196,994	-	1,091,072
Partnership Investments	102,304,561	1,489,482	5,839,615	-	-	109,633,658
Mutual Funds:						
Equities	323,519,273	4,700,076	20,898,861	-	6,517,776	355,635,986
Bonds	154,851,042	1,459,556	8,597,283	-	18,324,667	183,232,548
Money Market	18,148,764	121,986	2,787,260	62,951,305	-	84,009,315
Beneficial Interest Assets	16,493,237	-	-	-	-	16,493,237
Total Component Units' Investments	$ 615,316,877	$ 7,771,100	$ 40,383,700	$ 72,494,620	$ 24,842,443	$ 760,808,740

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

Investments by fair value level	Amount	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	$ 5,596,321	$ 5,596,321	$ -	$ -
Bonds and Notes	1,366,603	-	1,366,603	-
Stocks and Other Equity Securities	894,078	894,078	-	-
Partnership Investments	400,001	-	-	400,001
Mutual Funds:				
Equities	144,443,710	144,443,710	-	-
Bonds	85,586,338	85,586,338	-	-
Money Market	84,009,315	84,009,315	-	-
Beneficial Interest Assets	16,493,237	-	-	16,493,237
Total investments by fair value level	338,789,603	$ 320,529,762	$ 1,366,603	$ 16,893,238
Investments measured at the net asset value (NAV)				
Partnership Investments				
Private Equity	39,320,208			
Fixed Income	34,837,117			
Real Asset	35,076,332			
Mutual Funds:				
Equities	211,192,276			
Bonds	97,646,210			
Total investments measured at the NAV	418,072,143			
Total investments measured at fair value	756,861,746			
Other				
Security Pledged to Swap Counterparty	3,750,000			
Equity Method Investment	196,994			
Total Other Investments	3,946,994			
Total Component Unit Investments	$ 760,808,740			

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	$ 39,320,208	$ 17,903,707	NA	NA
Fixed Income	34,837,117	10,819,441	Monthly	3-5 days
Real Asset	35,076,332	22,189,786	NA	NA
Mutual Funds:				
Equities	211,192,276	-	Daily/Monthly	2-30 days
Bonds	97,646,210	-	Weekly	0-7 days
Total investments measured at the NAV	$ 418,072,143	$ 50,912,934		

Partnership Private Equity and Real Asset Investment. 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 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 its discretely presented component units, consisted of various debt, equity and equity-type securities, and equity, bond, and money market mutual funds. The University's investment policy, the USF Health Sciences Center Self-Insurance Program's investment policy, and the discretely presented component units' investment policies 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 discretely presented component unit 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 discretely presented component unit 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 discretely presented component unit investment policies do not limit the duration for long-term corporate notes or other direct debt obligations. The University and discretely presented component unit 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 discretely presented component unit 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 discretely presented component investments in debt securities and mutual funds at June 30, 2019:

University Debt Investment Maturity and Quality Ratings

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

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

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

(3) University.

Discretely Presented Component Units Investment Maturity

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

Discretely Presented Component Units Quality Ratings (1)

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

(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 discretely component unit investment policies provide that the maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the United States Government shall not exceed five percent of the market value of the assets of the investment portfolio, and no single corporate bond issuer shall exceed five percent of the market value of the investment portfolio. Direct investments in securities of the United States Government, Government agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of United States Government Securities are not subject to these restrictions for the University and its discretely presented component units. The University did not have any investments in securities of an individual issuer or single corporate bond issue that exceeded five percent of the market value of the investment portfolio at June 30, 2019.

6. Receivables

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

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

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of $9,842,028 and $2,409,422, respectively, at June 30, 2019.

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

7. Due From State

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

8. Due From and To Component Units/University

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

The $4,026,930 reported as due to component units represents $6,100,000 owed by the University to the University of South Florida Foundation, Inc. for funds supporting the construction of the USF Morsani College of Medicine and USF Health Heart Institute project, net of amounts owed to the University, primarily for salary and operating expense support.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning Balance (1)	Adjustments (2)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 23,648,989	$ -	$ -	$ -	$ 23,648,989
Works of Art and Historical Treasures	1,293,157	-	-	-	1,293,157
Other Capital Assets	1,173,750	-	-	-	1,173,750
Construction in Progress	72,437,886	-	128,201,144	36,134,582	164,504,448
Total Nondepreciable Capital Assets	$ 98,553,782	$ -	$ 128,201,144	$ 36,134,582	$ 190,620,344
Depreciable Capital Assets:					
Buildings	$ 1,270,336,290	$ 64,567,130	$ 28,663,636	$ -	$ 1,363,567,056
Infrastructure and Other Improvements	69,381,327	-	2,261,518	-	71,642,845
Furniture and Equipment	188,759,775	-	26,610,610	5,748,004	209,622,381
Library Resources	27,407,709	-	4,659,500	893	32,066,316
Property Under Capital Leases and Leasehold Improvements (1)	221,923,593	-	4,291,610	54,541	226,160,662
Works of Art and Historical Treasures	324,600	-	21,000	-	345,600
Other Capital Assets	14,746,013	-	192,396	139,862	14,798,547
Total Depreciable Capital Assets	1,792,879,307	64,567,130	66,700,270	5,943,300	1,918,203,407
Less, Accumulated Depreciation:					
Buildings	522,020,724	-	36,865,058	-	558,885,782
Infrastructure and Other Improvements	39,594,596	-	2,700,003	-	42,294,599
Furniture and Equipment	126,288,540	-	14,884,716	5,399,724	135,773,532
Library Resources	11,645,528	-	2,429,387	5	14,074,910
Property Under Capital Leases and Leasehold Improvements (1)	48,802,472	-	13,858,327	12,120	62,648,679
Works of Art and Historical Treasures	276,600	-	39,150	-	315,750
Other Capital Assets	12,844,356	-	392,357	139,862	13,096,851
Total Accumulated Depreciation	761,472,816	-	71,168,998	5,551,711	827,090,103
Total Depreciable Capital Assets, Net	$ 1,031,406,491	$ 64,567,130	$ (4,468,728)	$ 391,589	$ 1,091,113,304

(1) The beginning balances of Property Under Capital Leases and Leasehold Improvements and the associated accumulated depreciation were adjusted as part of the reporting change and adjustment to beginning net position described in Notes 2. and 3.

(2) Adjustments to capital assets resulted from the substantial completion of Phase II 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 2017-18 fiscal year. Phase II was substantially completed during the current 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 $959,561, construction in progress in the amount of $2,315,439, housing facilities with a carrying amount of $117,059,741, a dining facility fee liability in the amount of $4,705,288, and deferred inflows of resources in the amount of $116,510,763 at year-end pursuant to the service concession arrangement.

11. Unearned Revenue

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

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

12. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 17,472,833	$ -	$ 2,538,479	$ 14,934,354	$ 2,598,479
Installment Purchases Payable	328,114	-	138,865	189,249	113,888
Capital Leases Payable (1)	233,710,547	-	9,342,659	224,367,888	10,059,528
Estimated Insurance Claims Payable	27,685,240	4,136,542	2,463,920	29,357,862	1,400,487
Compensated Absences Payable	85,519,634	9,559,901	6,642,563	88,436,972	6,629,745
Federal Advance Payable	2,796,390	53,792	-	2,850,182	-
Dining Facility Fee Payable	4,726,153	-	20,865	4,705,288	22,117
Revenue Received in Advance	-	20,000,000	-	20,000,000	-
Other Postemployment Benefits Payable	446,394,000	88,629,000	99,244,000	435,779,000	6,279,000
Net Pension Liability	307,819,720	205,786,711	184,964,203	328,642,228	2,057,588
Total Long-Term Liabilities	$ 1,126,452,631	$ 328,165,946	$ 305,355,554	$ 1,149,263,023	$ 29,160,832

(1) The beginning balance of Capital Leases Payable was adjusted as part of the adjustment to beginning net position as described in Notes 2. and 3.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2019:

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

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

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

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

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

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

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

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

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

Debt Type and Series	Amount of Original Debt	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Bonds:				
Series 2015 Marshall Center	$31,595,000	$ 27,670,000	3.65-5.00	2036
Notes:				
Series 2013 Arena (1)	20,000,000	16,000,000	4.78	2033
Series 2018A Athletics (1)	7,685,180	7,280,689	3.46	2030
Series 2018B Athletics (1)	10,486,685	9,937,345	3.51	2031
Certificates of Participation:				
Series 2003A Athletics	9,905,000	3,895,000	3.82	2022
Series 2010A Housing	2,860,000	410,000	5.00	2020
Series 2012A Housing	77,015,000	75,685,000	5.00	2035
Series 2012B Housing	68,975,000	55,625,000	4.67	2037
Series 2015A Housing	23,640,000	12,115,000	2.63-5.00	2023
Series 2019 Housing	15,510,000	15,435,000	3.25-5.00	2040
Total	$267,671,865	$ 224,053,034		

(1) Reported as Bonds Payable in the USF Component Units Statement of Net Position.

Additional information regarding long-term debt of USF Financing Corporation is presented in Note 13.

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2019, are as follows:

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

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2019, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $88,436,972. The current portion of the compensated absences liability, $6,629,745, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Federal Advance Payable. This represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal 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 $2,850,182.

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, 2019, are as follows:

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

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

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

General Information about the OPEB Plan

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

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

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

Proportionate Share of the Total OPEB Liability

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

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

Inflation	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.87 percent
Healthcare cost trend rates	7.8 percent for Preferred Provider Organizations (PPO) and 5.2 percent for Health Maintenance Organization (HMO) for fiscal years 2017 to 2018, decreasing to an ultimate rate of 3.8 percent for fiscal year 2075 and later years.
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

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

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

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

The following change has been made since the prior valuation:

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

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

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

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$352,505,000	$435,779,000	$547,546,000

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

For the fiscal year ended June 30, 2019, the University recognized OPEB expense of $22,095,000. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 87,752,000
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	3,425,000	-
Transactions subsequent to the measurement date	6,442,000	-
Total	$ 9,867,000	$ 87,752,000

Of the total amount reported as deferred outflows of resources related to OPEB, $6,442,000 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2020	$(13,233,000)
2021	(13,233,000)
2022	(13,233,000)
2023	(13,233,000)
2024	(13,233,000)
Thereafter	(18,162,000)
Total	$(84,327,000)

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, 2019, the University's proportionate share of the net pension liabilities totaled $328,642,228. Note 14. includes a complete discussion of defined benefit pension plans.

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

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

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Bonds Payable	$ 29,690,000	$ -	$ 990,000	$ 28,700,000	$ 1,030,000
Certificates of Participation Payable	110,690,000	45,650,000	18,725,000	137,615,000	3,830,000
Direct Borrowings and Placements:					
Mortgage Loan Payable	-	3,600,000	-	3,600,000	222,472
Notes Payable	51,102,695	-	2,512,668	48,590,027	2,664,216
Certificates of Participation Payable	119,515,000	17,925,000	23,035,000	114,405,000	5,315,000
Long Term Liabilities	310,997,695	67,175,000	45,262,668	332,910,027	13,061,688
Original Issue Premium	11,760,636	3,104,740	1,757,326	13,108,050	
Total Long Term Liabilities	$ 322,758,331	$ 70,279,740	$ 47,019,994	$ 346,018,077	

Mortgage Loan Payable.

The USF Financing Corporation had a mortgage loan payable outstanding at June 30, 2019 as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rate	Issue Date	Maturity Date
Series 2019 UDI Building	$ 3,600,000	$ 3,600,000	4.33	2019	2031
Total	$ 3,600,000	$ 3,600,000			

Series 2019 Conventional Mortgage Loan (UDI Building). On May 1, 2019, the USF Financing Corporation entered into a conventional mortgage loan agreement, Series 2019, with Valley National Bank, at which time the bank provided a loan in an amount of $3,600,000. The Series 2019 Conventional Mortgage Loan was issued at a taxable fixed interest rate of 4.33 percent and matures in 2031. The proceeds of the loan were used to finance the acquisition of the University Diagnostic Institute (UDI) Building located in the USF Research Park.

The cost of the UDI Building was $3,576,987 and is pledged as collateral for the Series 2019 mortgage loan, a direct borrowing from the bank. The Series 2019 mortgage loan contains provisions that in an event of default the bank may cancel the agreement, accelerate payment for all amounts due under the mortgage, take immediate possession and management of the property, and foreclose on the property.

The USF Financing Corporation master leased the UDI Building to the USF Research Foundation until 2069, unless sooner terminated and the USF Research Foundation makes rental payments to the USF Financing Corporation in an amount equal to 100 percent of debt service and any additional costs due. The rental payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

Mortgage Loan Payable – Schedule of Payments.

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

	Direct Borrowing	
Fiscal Year Ending June 30	**Principal**	**Interest**
2020	$ 222,472	$ 153,498
2021	232,209	143,760
2022	242,373	133,597
2023	252,981	122,988
2024	264,054	111,916
2025-2029	1,504,081	375,765
2030-2032	881,830	58,092
Total minimum payments	$3,600,000	$1,099,616

Notes Payable.

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

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue Date	Maturity Date
Series 2013 Arena	$ 20,000,000	$ 16,650,000	4.78	2013	2033
Series 2018A Athletics	7,685,180	7,280,689	3.46	2018	2030
Series 2018B Athletics	10,486,685	9,937,345	3.51	2018	2031
Series 2018 CAMLS	15,535,830	14,721,993	3.51	2018	2031
Total	$ 53,707,695	$ 48,590,027			

Series 2013 Arena Note (formerly Note Series 2013 Sun Dome Arena). On September 1, 2013, the USF Financing Corporation entered into a loan agreement with SunTrust Bank, evidenced by the Series 2013 Arena Taxable Promissory Note. The proceeds of the loan were used to reimburse the University of South Florida for a portion of the costs undertaken by the University to renovate the USF Arena and Convocation Center. The Series 2013 Arena Note was issued at a taxable fixed interest rate and is callable at the option of the USF Financing Corporation on any scheduled payment date at a rate calculated pursuant to the requirements of the loan agreement.

The Series 2013 Arena Note is a direct borrowing from the bank. The Note is not secured by any assets pledged as collateral. The Note contains provisions that in an event of default the bank may accelerate payment for all principal and interest due under the note.

Pursuant to an operating and reporting agreement, the University operates the Arena facility and makes payments to the USF Financing Corporation in an amount equal to at least 100 percent of principal and interest due on the Note, together with all other amounts due on the Note. The payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

Series 2018A and 2018B Athletics Notes. On March 9, 2018, the USF Financing Corporation entered into a loan agreement with BB&T Bank to refund the Series 2010A and 2010B Athletics Notes, which were originally issued to finance the acquisition, construction, and equipping of the athletics district facilities. The loan is evidenced by the Series 2018A and 2018B Athletics Notes which were issued at tax-exempt and fixed interest. The Series 2018A and 2018B Athletics Notes are callable at the option of the USF Financing Corporation on any scheduled payment date at: 101 percent of principal outstanding if prepaid during the first five years of the loan; 100.5 percent if prepaid between the fifth and tenth years of the loan; and 100 percent if prepaid after the tenth anniversary of the loan.

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

For the Series 2018A and 2018B Athletics Notes, the USF Financing Corporation 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. The USF Financing Corporation subleased the athletics district facilities to the University until 2031, unless sooner terminated. The University makes rental payments to the USF Financing Corporation in an amount equal to 100 percent of principal and interest due on the notes, together with all other amounts due on the notes. The rental payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

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

The Series 2018 CAMLS Note is a direct borrowing from the bank. The Note is not secured by any assets pledged as collateral. The Note contains provisions that in an event of default the bank may accelerate payment for all principal and interest due under the Note.

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

Notes Payable – Schedule of Payments.

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

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

Bonds Payable.

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

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

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

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

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

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

Bonds Payable – Schedule of Payments.

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

	Bonds	
Fiscal Year Ending June 30	**Principal**	**Interest**
2020	$ 1,030,000	$ 1,345,245
2021	1,075,000	1,297,770
2022	1,125,000	1,242,770
2023	1,185,000	1,185,020
2024	1,240,000	1,124,395
2025-2029	7,200,000	4,602,225
2030-2034	9,195,000	2,562,600
2035-2037	6,650,000	390,718
Total minimum payments	28,700,000	$ 13,750,743
Unamortized Premium	2,417,350	
Bonds Payable	$ 31,117,350	

Certificates of Participation Payable.

The USF Financing Corporation had certificates of participation (Certificates) outstanding at June 30, 2019, as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue/ Acceptance Date	Maturity Date
Series 2010A Housing	$ 2,860,000	$ 800,000	4.75-5.00	2010	2020
Series 2012A Housing	77,015,000	75,980,000	4.00-5.00	2015	2035
Series 2015A Housing	23,640,000	15,185,000	2.63-5.00	2015	2023
Series 2018 Housing	30,140,000	30,140,000	4.00-5.00	2019	2048
Series 2019 Housing	15,510,000	15,510,000	3.25-5.00	2019	2040
Direct Placements:					
Series 2003A Athletics	9,905,000	3,895,000	3.82	2011	2022
Series 2012B Housing	68,975,000	57,750,000	4.67	2012	2037
Series 2013A Health	37,920,000	34,835,000	2.71	2016	2036
Series 2013B Health	17,925,000	17,925,000	3.39	2018	2037
Total	$ 283,890,000	$ 252,020,000			

The USF Financing Corporation issued the above Certificates pursuant to master trust agreements and supplemented by supplemental trust agreements, by and among the Trustee, the Property Corporation, as lessor, and the USF Financing Corporation, as lessee. The Certificates represent an undivided proportionate interest of the owners thereof in the right to receive basic rent payments payable under the master lease purchase agreements by and between the USF Property Corporation and the USF Financing Corporation, each supplemented by lease schedules.

Additionally, for each of the above Certificates, the USF Financing Corporation entered into Ground Lease Agreements with the University, whereby the University leased to the USF Financing Corporation the land on which all of the facilities are located. All of the rights, title, and interest of the USF Financing Corporation in the lease agreements, including the right of the USF Financing Corporation to receive lease payments, to use, sell, and relet properties, and to exercise remedies thereunder, and in the ground leases have been irrevocably assigned by the USF Financing Corporation to the Trustee, pursuant to assignment agreements.

All of the land on University campuses has been leased to the University by the State Board of Trustees of the Internal Improvement Trust Fund for 99 years from January 22, 1974.

With respect to the South Clinic Facility site, the University possesses a leasehold interest in the site, pursuant to a sublease dated March 15, 2006, between the University and Florida Health Science Center, Inc., doing business as 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 the North Clinic Facility, the South Clinic Facility, and the Medical Office Building to University Medical Service Association (UMSA), a direct-support organization of the University, pursuant to individual office building lease agreements. UMSA makes basic rent payments to the USF Financing Corporation in an amount equal to 120 percent of principal and interest due on the Series 2013A Certificates, together with all other amounts due on the Notes. The rental payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

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

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

The Series 2010A Certificates are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, the outstanding principal may be accelerated.

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

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

The Series 2012A Certificates are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, the outstanding principal may be accelerated.

Series 2015A Housing Certificates. The Series 2015A tax-exempt, fixed rate Certificates were issued on May 6, 2015, to refund the Series 2005A Certificates, in advance of the first optional prepayment date of the Series 2005A Certificates on July 1, 2015. The Series 2005A Certificates were originally issued to retire or defease the University's prior housing financings. The Certificates mature in 2023 and are not subject to prepayment at the option of the USF Financing Corporation. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $997,085. This difference, reported in the USF Financing Corporation's financial statements as a deferred inflow of resources, is being charged to operations through fiscal year 2024 using the straight line method. At June 30, 2019, the unamortized balance of the deferred inflow of resources was $224,118. The USF Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 8 years by $3.3 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3.1 million.

The Series 2015A Certificates are not secured by any assets pledged as collateral. The trust indenture contains provisions that in an event of default, the outstanding principal may be accelerated.

Series 2018 Housing Certificates. The Series 2018 Housing Certificates were issued on January 16, 2019 to finance the cost to acquire, construct, and equip a student housing facility and dining facility shell on the University's St. Petersburg Campus. The Series 2018 Certificates were issued at a tax-exempt fixed interest rate ranging from 4 to 5 percent. The Certificates, which mature on July 1, 2043 and July 1, 2048, are callable at the option of the USF Financing Corporation on scheduled dates and in scheduled installments beginning on July 1, 2039.

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

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

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

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

Series 2003A Athletics Certificates. The Series 2003A tax-exempt Certificates were issued pursuant to an amended and supplemented trust indenture, dated March 1, 2003, by and between the University of South Florida Foundation, Inc. (Foundation) and U.S. Bank National Association, as successor in interest to SunTrust, as trustee. The $13,200,000 of Certificates were issued to finance the construction of an athletic training facility located on the Tampa Campus, pursuant to a Ground Lease Agreement by and between the University and the Foundation. The Certificates were issued as variable rate debt secured by an irrevocable direct-pay letter of credit issued by SunTrust. On March 15, 2011, SunTrust 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, interests, and obligations related to the $9,905,000 outstanding Series 2003A Certificates. The Series 2003A Certificates, which mature in 2022, are callable at the option of the USF Financing Corporation at 102 percent of the principal amount outstanding on any date from March 1, 2018, through February 28, 2019, at 101 percent of the principal amount outstanding on any date from March 1, 2019, through February 29, 2020, and at 100 percent of the principal amount outstanding on any date thereafter. The Series 2003A Athletics Certificates hold a tax-exempt fixed interest rate of 3.82 percent.

The Series 2003A Certificates are directly placed with the bank. The Certificates are not secured by any assets pledged as collateral. The trust indenture and credit agreement contain provisions that in an event of default, the outstanding principal and interest may be accelerated.

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

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

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

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

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

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

Certificates of Participation Payable – Schedule of Payments.

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

	Certificates		Direct Placements	
Fiscal Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2020	$ 3,830,000	$ 6,294,406	$ 5,315,000	$ 4,287,801
2021	4,000,000	6,192,194	5,490,000	4,083,616
2022	4,725,000	6,019,422	5,695,000	3,871,881
2023	4,885,000	5,819,250	5,880,000	3,652,479
2024	5,125,000	5,569,000	5,000,000	3,456,466
2025-2029	31,490,000	23,428,375	27,455,000	14,270,615
2030-2034	40,450,000	14,508,712	32,190,000	8,587,011
2035-2039	25,590,000	5,507,175	27,380,000	2,120,144
2040-2044	9,055,000	2,555,600	-	-
2045-2049	8,465,000	872,700	-	-
Total Minimum Payments	137,615,000	$ 76,766,834	114,405,000	$ 44,330,013
Unamoritized Premium	10,690,700		-	
Certificates of Participation Payable	$ 148,305,700		$ 114,405,000	

Covenants. All of the Notes, Bonds, and Certificates are subject to certain covenants and other commitments. The Board of Directors has adopted a written Board of Trustees debt management policy.

Reserve Funds. The terms of the various bond agreement require the Corporation to set aside certain funds for debt service payments and for facility renewal and replacement reserves. Such funds amounted to $36,802,675 at June 30, 2019 and are included in restricted cash and cash equivalents on the USF Financing Corporations' Statement of Net Position.

Interest Rate Swap Agreements. The USF Financing Corporation has exclusively entered into "pay fixed" interest rate swap agreements to limit its exposure to interest rate risk over the agreed term of the swap. The USF Financing Corporation has effectively fixed the interest rate on its variable rate debt with interest rate swaps. At June 30, 2019, the USF Financing Corporation had one outstanding interest rate swap agreement, the Series 2012B swap agreement.

The notional amount of the swap matched the principal amount on the association Series 2012B Certificates through the scheduled termination date of the swap on July 1, 2037. Under the terms of the swap agreement, the USF Financing Corporation pays the swap counterparty a semi-annual fixed interest rate of 3.939 percent and receives monthly variable interest rate payments equal to 80 percent of one-month LIBOR.

The following table summarizes the USF Financing Corporation's outstanding interest rate swap and the related fair value as of June 30, 2019:

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

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

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

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

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

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

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

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

14. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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

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

FRS Pension Plan

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

- *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	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 2018-19 fiscal year were:

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	8.26
FRS, Senior Management Service	3.00	24.06
FRS, Special Risk	3.00	24.50
FRS, Plan E	6.25	11.90
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.03
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 $26,352,406 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of $249,890,497 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 0.829635447 percent, which was an increase of 0.054540657 from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of $50,156,807. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 21,169,482	$ 768,353
Change of assumptions	81,652,062	-
Net difference between projected and actual earnings on FRS Plan investments	-	19,307,088
Changes in proportion and differences between University contributions and proportionate share of contributions	17,727,846	45,429
University FRS contributions subsequent to the measurement date	26,352,406	-
Total	$ 146,901,796	$ 20,120,870

The deferred outflows of resources totaling $26,352,406, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2020	$ 39,359,859
2021	26,111,235
2022	5,172,964
2023	16,358,468
2024	11,371,255
Thereafter	2,054,739
Total	$ 100,428,520

Actuarial Assumptions. The total pension liability in the July 1, 2018, 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	7.00 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, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
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 7.00 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 2018 valuation was updated from 7.10 percent to 7.00 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 7.00 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 (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
University's proportionate share of the net pension liability	$456,060,639	$249,890,497	$78,654,007

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, 2019, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled $4,160,779 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of $78,751,731 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 0.744056081 percent, which was an increase of 0.009408755 from its proportionate share measured as of June 30, 2017.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 8,758,165	$ 8,326,292
Difference between actual and expected experience	1,205,654	133,796
Net difference between projected and actual earnings on HIS Plan investments	47,536	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	4,171,798	-
University HIS contributions subsequent to the measurement date	4,160,779	-
Total	$ 18,343,932	$ 8,460,088

The deferred outflows of resources totaling $4,160,779, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2020	$ 2,134,517
2021	2,130,509
2022	1,747,135
2023	765,693
2024	(753,876)
Thereafter	(300,913)
Total	$ 5,723,065

Actuarial Assumptions. The total pension liability at July 1, 2018, 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	3.87 percent

Mortality rates were based on the Generational RP-2000 with Projection 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 3.87 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 2018 valuation was updated from 3.58 percent to 3.87 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

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

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

15. Retirement Plans – Defined Contribution Pension Plans

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

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested 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, 2019, 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 $5,580,174 for the fiscal year ended June 30, 2019.

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, 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.65 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 $27,331,522, and employee contributions totaled $17,068,046 for the 2018-19 fiscal year.

16. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
USF Morsani College of Medicine/ USF Health Heart Institute	$ 197,139,695	$ 125,881,822	$ 71,257,873
USF Wellness Center Complex	15,759,637	204	15,759,433
USF Laurel Drive Roadway Extension	7,998,083	6,623,437	1,374,646
Subtotal	220,897,415	132,505,463	88,391,952
Other Projects (1)	66,591,700	31,998,985	34,592,715
Total	$ 287,489,115	$ 164,504,448	$ 122,984,667

(1) Individual projects with a current balance committed of less than $4 million at June 30, 2019.

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 2018-19 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 $78 million for named windstorm and flood through February 14, 2019, and decreased to $68.5 million starting February 15, 2019. 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 (Program) and the University of South Florida Health Sciences Center Insurance Company (HSCIC) provide medical professional liability insurance protection to the University of South Florida Board of Trustees (USFBOT), as well as faculty, staff, residents and students engaged in medical programs and health-related courses of study.

The USFBOT and other immune entities, as well as the above covered individuals, are protected for losses subject to Section 768.28, Florida 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, 2018, and June 30, 2019, are presented in the following table:

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

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

21. Segment Information

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

Condensed Statement of Net Position

	Parking Facilities
Assets	
Current Assets	$ 17,921,754
Capital Assets, Net	35,584,295
Other Noncurrent Assets	11,567,333
Total Assets	65,073,382
Deferred Outflows of Resources	823,091
Liabilities	
Current Liabilities	2,967,859
Noncurrent Liabilities	16,166,843
Total Liabilities	19,134,702
Deferred Inflows of Resources	546,806
Net Position	
Net Investment in Capital Assets	20,649,941
Restricted - Expendable	11,472,420
Unrestricted	14,092,604
Total Net Position	$ 46,214,965

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

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

Condensed Statement of Cash Flows

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

22. Blended Component Unit

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

Condensed Statement of Net Position

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Other Current Assets	$ 12,300,259	$ 858,091,664	$ -	$ 870,391,923
Capital Assets, Net	6,368	1,281,727,280	-	1,281,733,648
Other Noncurrent Assets	58,820,596	25,550,022	-	84,370,618
Total Assets	71,127,223	2,165,368,966	-	2,236,496,189
Deferred Outflows of Resources	-	175,112,728	-	175,112,728
Liabilities:				
Other Current Liabilities	1,461,697	142,575,289	-	144,036,986
Noncurrent Liabilities	27,957,375	1,092,144,816	-	1,120,102,191
Total Liabilities	29,419,072	1,234,720,105	-	1,264,139,177
Deferred Inflows of Resources	-	232,843,721	-	232,843,721
Net Position:				
Net Investment in Capital Assets	6,368	922,840,050	-	922,846,418
Restricted - Expendable	41,701,783	161,795,194	-	203,496,977
Unrestricted	-	(211,717,376)	-	(211,717,376)
Total Net Position	$ 41,708,151	$ 872,917,868	$ -	$ 914,626,019

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

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Operating Revenues	$ 8,672,444	$ 841,099,942	$ (560,112)	$ 849,212,274
Depreciation Expense	(11,064)	(71,157,934)	-	(71,168,998)
Other Operating Expenses	(7,913,439)	(1,402,284,520)	560,112	(1,409,637,847)
Operating Income (Loss)	747,941	(632,342,512)	-	(631,594,571)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	3,766,956	639,867,998	-	643,634,954
Interest Expense	-	(13,445,230)	-	(13,445,230)
Other Nonoperating Expense	-	(30,513,054)	-	(30,513,054)
Net Nonoperating Revenues	3,766,956	595,909,714	-	599,676,670
Other Revenues	-	36,339,799	-	36,339,799
Increase in Net Position	4,514,897	(92,999)	-	4,421,898
Net Position, Beginning of Year	37,193,254	865,204,492	-	902,397,746
Adjustment to Beginning Net Position (1)	-	7,806,375	-	7,806,375
Net Position, Beginning of Year, as Restated	37,193,254	873,010,867	-	910,204,121
Net Position, End of Year	$ 41,708,151	$ 872,917,868	$ -	$ 914,626,019

(1) As discussed in Notes 2. and 3. to the financial statements, the University's beginning net position was increased in conjunction with USF Financing Corporation's conversion from FASB to GASB.

Condensed Statement of Cash Flows

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 3,285,706	$ (500,461,890)	$ -	$ (497,176,184)
Noncapital Financing Activities	-	562,385,705	-	562,385,705
Capital and Related Financing Activities	-	(87,231,568)	-	(87,231,568)
Investing Activities	(4,953,988)	8,246,701	-	3,292,713
Net Decrease in Cash and Cash Equivalents	(1,668,282)	(17,061,052)	-	(18,729,334)
Cash and Cash Equivalents, Beginning of Year	5,402,773	64,956,001	-	70,358,774
Cash and Cash Equivalents, End of Year	$ 3,734,491	$ 47,894,949	$ -	$ 51,629,440

23. Discretely Presented Component Units

The University has ten 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.
Assets:				
Current Assets	$ 107,353,588	$ 730,449	$ 6,109,985	$ 2,106,636
Capital Assets, Net	14,641,022	-	17,261,747	808,027
Other Noncurrent Assets	538,533,231	7,341,958	14,810	-
Total Assets	660,527,841	8,072,407	23,386,542	2,914,663
Deferred Outflows of Resources	-	-	-	-
Liabilities:				
Current Liabilities	1,457,338	330,979	3,863,811	2,748,731
Noncurrent Liabilities	4,818,266	2,029,873	13,843,518	-
Total Liabilities	6,275,604	2,360,852	17,707,329	2,748,731
Deferred Inflows of Resources	17,470,989	-	1,540,083	-
Net Position:				
Net Investment in Capital Assets	9,926,870	-	2,327,334	808,027
Restricted Nonexpendable	343,973,054	940,565	-	-
Restricted Expendable	267,558,666	319,880	-	-
Unrestricted	15,322,658	4,451,110	1,811,796	(642,095)
Total Net Position	$ 636,781,248	$ 5,711,555	$ 4,139,130	$ 165,932

(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.

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

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

	Direct-Support Organizations			
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.
Operating Revenues	$ 63,462,910	$ 2,785,681	$ 16,248,937	$ 4,946,313
Operating Expenses	(76,102,346)	(2,843,062)	(16,136,391)	(4,473,724)
Operating Income (Loss)	(12,639,436)	(57,381)	112,546	472,589
Net Nonoperating Revenues (Expenses)	36,746,458	275,421	(95,141)	(655,718)
Other Revenues	9,535,122	58,041	-	-
Increase (Decrease) in Net Position	33,642,144	276,081	17,405	(183,129)
Net Position - Beginning of Year	652,965,842	5,548,125	4,121,725	349,061
Adjustment to Beginning Net Position (2)	(49,826,738)	(112,651)	-	-
Net Position, Beginning of Year, as Restated	603,139,104	5,435,474	4,121,725	349,061
Net Position, End of Year	$ 636,781,248	$ 5,711,555	$ 4,139,130	$ 165,932

(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.

(2) Beginning Net Position was adjusted as a result of conversions from FASB accounting standards to GASB accounting standards as described in Note 2.

USF Institute of Applied Engineering, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	Total
$ -	$ 13,378,765	$ 16,162,702	$ 302,121,259	$ 419,106,567
(475,998)	(11,061,305)	(1,234,561)	(291,726,950)	(404,054,337)
(475,998)	2,317,460	14,928,141	10,394,309	15,052,230
572,667	1,616,473	(10,489,468)	(1,210,975)	26,759,717
-	-	800,000	-	10,393,163
96,669	3,933,933	5,238,673	9,183,334	52,205,110
-	62,553,989	5,820,814	80,059,321	811,418,877
-	-	5,969,669	(22,887,315)	(66,857,035)
-	62,553,989	11,790,483	57,172,006	744,561,842
$ 96,669	$ 66,487,922	$ 17,029,156	$ 66,355,340	$ 796,766,952

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. In addition, a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position is required for the most recent year. To meet this requirement, statements of net position, revenues, expenses, and changes in net position, and 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	$ 46,418,431	$ 2,703,817	$ 1,529,153	$ 50,651,401
Investments	640,134,516	40,269,879	22,906,669	703,311,064
Accounts Receivable, Net	63,817,244	3,113,957	350,989	67,282,190
Loans and Notes Receivable, Net	1,919,540	111,101	26,129	2,056,770
Due from State	23,434,235	4,719,647	1,192,648	29,346,530
Due from Component Units	16,554,475	14,046	3,028	16,571,549
Inventories	269,386	-	-	269,386
Other Current Assets	903,033	-	-	903,033
Total Current Assets	793,450,860	50,932,447	26,008,616	870,391,923
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	959,755	11,446	6,838	978,039
Restricted Investments	72,644,507	171,744	102,598	72,918,849
Loans and Notes Receivable, Net	2,237,234	181,271	42,630	2,461,135
Depreciable Capital Assets, Net	950,588,161	113,400,100	27,125,043	1,091,113,304
Nondepreciable Capital Assets	179,954,248	7,892,357	2,773,739	190,620,344
Other Nocurrent Assets	7,944,394	68,201	-	8,012,595
Total Noncurrent Assets	1,214,328,299	121,725,119	30,050,848	1,366,104,266
Total Assets	2,007,779,159	172,657,566	56,059,464	2,236,496,189
DEFERRED OUTFLOWS OF RESOURCES				
Other Postemployment Benefits	9,024,872	573,153	268,975	9,867,000
Pensions	151,142,358	9,598,772	4,504,598	165,245,728
Total Deferred Outflows of Resources	160,167,230	10,171,925	4,773,573	175,112,728
LIABILITIES				
Current Liabilities:				
Accounts Payable	21,455,355	945,931	144,450	22,545,736
Construction Contracts Payable	13,921,573	17,371	-	13,938,944
Salary and Wages Payable	35,710,378	1,910,259	787,199	38,407,836
Deposits Payable	4,454,190	71,274	6,504	4,531,968
Due to Component Units	3,033,324	993,606	-	4,026,930
Unearned Revenue	31,340,725	57,281	26,734	31,424,740
Long-Term Liabilities - Current Portion:				
Capital Improvement Debt Payable	2,598,479	-	-	2,598,479
Installment Purchases Payable	113,888	-	-	113,888
Capital Leases Payable	9,274,528	785,000	-	10,059,528
Estimated Insurance Claims Payable	1,400,487	-	-	1,400,487
Compensated Absences Payable	6,212,864	295,710	121,171	6,629,745
Dining Facility Fee Payable	22,117	-	-	22,117
Other Postemployment Benefits Payable	5,743,101	364,734	171,165	6,279,000
Net Pension Liability	1,881,977	119,521	56,090	2,057,588
Total Current Liabilities	137,162,986	5,560,687	1,313,313	144,036,986

	USF Tampa	USF St. Petersburg	USF Sarasota-Manatee	Total USF System
Liabilities (Continued)				
Noncurrent Liabilities:				
Capital Improvement Debt Payable	$ 12,335,875	$ -	$ -	$ 12,335,875
Installment Purchases Payable	75,361	-	-	75,361
Capital Leases Payable	179,195,062	35,113,298	-	214,308,360
Estimated Insurance Claims Payable	27,957,375	-	-	27,957,375
Compensated Absences Payable	76,663,161	3,648,888	1,495,178	81,807,227
Federal Advance Payable	2,589,451	212,306	48,425	2,850,182
Dining Facility Payable	4,683,171	-	-	4,683,171
Revenue Received in Advance	20,000,000	-	-	20,000,000
Other Postemployment Benefits Payable	392,843,092	24,948,739	11,708,169	429,500,000
Net Pension Liability	298,711,338	18,970,605	8,902,697	326,584,640
Total Noncurrent Liabilities	1,015,053,886	82,893,836	22,154,469	1,120,102,191
Total Liabilities	1,152,216,872	88,454,523	23,467,782	1,264,139,177
DEFERRED INFLOWS OF RESOURCES				
Other Postemployment Benefits	80,262,555	5,097,326	2,392,119	87,752,000
Pensions	26,141,634	1,660,207	779,117	28,580,958
Deferred Service Concession Arrangement Receipts	116,510,763	-	-	116,510,763
Total Deferred Inflows of Resources	222,914,952	6,757,533	3,171,236	232,843,721
NET POSITION				
Net Investment in Capital Assets	807,485,275	85,462,361	29,898,782	922,846,418
Restricted for Expendable:				
Debt Service	1,751,434	-	-	1,751,434
Loans	5,016,469	81,225	20,650	5,118,344
Capital Projects	17,378,611	4,857,901	1,302,084	23,538,596
Other	168,033,724	1,729,274	3,325,605	173,088,603
Unrestricted	(206,850,948)	(4,513,326)	(353,102)	(211,717,376)
TOTAL NET POSITION	$ 792,814,565	$ 87,617,435	$ 34,194,019	$ 914,626,019

Statement of Revenues, Expenses, and Changes in Net Position

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

THIS PAGE INTENTIONALLY LEFT BLANK

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	$ 239,525,996	$ 20,606,802	$ 11,059,098	$ 271,191,896
Grants and Contracts	414,808,483	5,198,753	40,373	420,047,609
Sales and Services of Auxiliary Enterprises	160,324,987	9,563,603	636,479	170,525,069
Interest on Loans and Notes Receivable	197,967	-	-	197,967
Payments to Employees	(848,874,796)	(51,562,092)	(23,056,651)	(923,493,539)
Payments to Suppliers for Goods and Services	(322,731,327)	(21,329,931)	(5,881,968)	(349,943,226)
Payments to Students for Scholarships and Fellowships	(84,032,222)	(9,244,789)	(3,863,533)	(97,140,544)
Payments on Self-Insurance Claims and Expenses	(2,463,920)	-	-	(2,463,920)
Loans Issued to Students	(409,728)	-	-	(409,728)
Collection on Loans to Students	997,019	-	-	997,019
Other Operating Receipts	13,314,341	872	-	13,315,213
Net Cash Used by Operating Activities	(429,343,200)	(46,766,782)	(21,066,202)	(497,176,184)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State Noncapital Appropriations	379,167,490	32,430,588	14,992,765	426,590,843
Federal and State Student Financial Aid	126,747,095	14,954,177	5,772,576	147,473,848
Noncapital Grants, Contracts, and Donations	25,030,113	-	-	25,030,113
Federal Direct Loan Program Receipts	226,112,604	-	-	226,112,604
Federal Direct Loan Program Disbursements	(226,112,604)	-	-	(226,112,604)
Operating Subsidies and Transfers	(8,286,626)	631,789	392,647	(7,262,190)
Net Change in Funds Held for Others	(223,643)	(97,090)	(10)	(320,743)
Other Nonoperating Receipts	29,072	-	3,237	32,309
Other Nonoperating Disbursements	(27,413,964)	(1,732,991)	(11,520)	(29,158,475)
Net Cash Provided by Noncapital Financing Activities	495,049,537	46,186,473	21,149,695	562,385,705
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
State Capital Appropriations	75,200,598	1,051,081	-	76,251,679
Capital Grants, Contracts, Donations and Fees	22,379,254	-	-	22,379,254
Purchase or Construction of Capital Assets	(153,805,787)	(5,740,439)	(825,422)	(160,371,648)
Principal Paid on Capital Debt and Leases	(11,666,734)	(390,000)	-	(12,056,734)
Interest Paid on Capital Debt and Leases	(11,839,776)	(1,594,343)	-	(13,434,119)
Net Cash Used by Capital and Related Financing Activities	(79,732,445)	(6,673,701)	(825,422)	(87,231,568)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales and Maturities of Investments	20,068,067	11,697,791	1,474,724	33,240,582
Purchases of Investments	(61,559,511)	(8,136,618)	(2,622,535)	(72,318,664)
Investment Income	38,796,380	2,217,333	1,357,082	42,370,795
Net Cash Provided (Used) by Investing Activities	(2,695,064)	5,778,506	209,271	3,292,713
Net Decrease in Cash and Cash Equivalents	(16,721,172)	(1,475,504)	(532,658)	(18,729,334)
Cash and Cash Equivalends, Beginning of Year	64,099,358	4,190,767	2,068,649	70,358,774
Cash and Cash Equivalents, End of Year	$ 47,378,186	$ 2,715,263	$ 1,535,991	$ 51,629,440

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

Statement of Current Unrestricted Funds Net Position

	USF Tampa	USF St. Petersburg	USF Sarasota-Manatee	Total USF System
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 35,655,819	$ 2,713,102	$ 1,315,634	$ 39,684,555
Investments	539,440,372	40,269,879	19,808,624	599,518,875
Accounts Receivable, Net	10,755,441	1,061,498	305,675	12,122,614
Due from Component Units	6,804,970	3,890	-	6,808,860
Inventories	269,385	-	-	269,385
Other Current Assets	126,208	-	-	126,208
TOTAL ASSETS	593,052,195	44,048,369	21,429,933	658,530,497
DEFERRED OUTFLOWS OF RESOURCES				
Other Postemployment Benefits	9,024,873	573,153	268,974	9,867,000
Pensions	151,142,358	9,598,772	4,504,598	165,245,728
Total Deferred Outflows of Resources	160,167,231	10,171,925	4,773,572	175,112,728
LIABILITIES				
Current Liabilities:				
Accounts Payable	11,287,816	713,036	143,701	12,144,553
Salary and Wages Payable	35,710,120	1,910,259	787,199	38,407,578
Deposits Payable	922,555	10,185	-	932,740
Due to Component Units	-	993,606	-	993,606
Unearned Revenue	3,690,162	804	-	3,690,966
Long-Term Liabilities - Current Portion:				
Compensated Absences Payable	6,212,864	295,710	121,171	6,629,745
Other Postemployment Benefits Payable	5,743,100	364,734	171,166	6,279,000
Net Pension Liability	1,881,977	119,521	56,090	2,057,588
Total Current Liabilities	65,448,594	4,407,855	1,279,327	71,135,776
Noncurrent Liabilities:				
Compensated Absences Payable	76,663,161	3,648,888	1,495,178	81,807,227
Revenue Received in Advance	20,000,000	-	-	20,000,000
Other Postemployment Benefits Payable	392,843,092	24,948,739	11,708,169	429,500,000
Net Pension Liability	298,711,338	18,970,605	8,902,697	326,584,640
TOTAL LIABILITIES	853,666,185	51,976,087	23,385,371	929,027,643
DEFERRED INFLOWS OF RESOURCES				
Other Postemployment Benefits	80,262,555	5,097,326	2,392,119	87,752,000
Pensions	26,141,634	1,660,207	779,117	28,580,958
Total Deferred Inflows of Resources	106,404,189	6,757,533	3,171,236	116,332,958
TOTAL NET POSITION	$ (206,850,948)	$ (4,513,326)	$ (353,102)	$ (211,717,376)

Statement of Current Unrestricted Funds 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 (1)	$ 343,483,878	$ 24,359,632	$ 12,353,049	$ 380,196,559
Nongovernmental Grants and Contracts	6,329,448	-	7,948	6,337,396
Sales and Services of Auxiliary Enterprises	139,302,511	9,563,603	636,479	149,502,593
Other Operating Revenues	2,368,876	-	-	2,368,876
Total Operating Revenues	491,484,713	33,923,235	12,997,476	538,405,424
EXPENSES				
Operating Expenses:				
Compensation and Employee Benefits	629,815,732	48,473,222	23,800,998	702,089,952
Services and Supplies	208,947,631	17,129,755	5,932,170	232,009,556
Utilities and Communications	21,125,789	2,657,469	313,252	24,096,510
Scholarships, Fellowships, and Waivers	64,885,339	2,311,978	844,841	68,042,158
Total Operating Expenses	924,774,491	70,572,424	30,891,261	1,026,238,176
Operating Loss	(433,289,778)	(36,649,189)	(17,893,785)	(487,832,752)
NONOPERATING REVENUES (EXPENSES)				
State Noncapital Appropriations	379,167,490	32,430,588	14,992,765	426,590,843
Investment Income	32,121,013	1,870,330	1,149,236	35,140,579
Other Nonoperating Revenues	23,452	-	3,237	26,689
Interest on Capital Asset-Related Debt	(11,291,715)	(1,594,343)	-	(12,886,058)
Other Nonoperating Expenses	(7,476,392)	(1,539,941)	-	(9,016,333)
Net Nonoperating Revenues	392,543,848	31,166,634	16,145,238	439,855,720
Loss Before Other Revenues and Expenses	(40,745,930)	(5,482,555)	(1,748,547)	(47,977,032)
Transfers to/from Other Funds, Net	4,524,966	(435,627)	409,972	4,499,311
Decrease in Net Position	(36,220,964)	(5,918,182)	(1,338,575)	(43,477,721)
Net Position, Beginning of Year	(168,230,089)	1,404,856	985,473	(165,839,760)
Adjustment to Beginning Net Position	(2,399,895)	-	-	(2,399,895)
Net Position, Beginning of Year, as Restated	(170,629,984)	1,404,856	985,473	(168,239,655)
Net Position, End of Year	$ (206,850,948)	$ (4,513,326)	$ (353,102)	$ (211,717,376)

(1) Student tuition and fees revenues are reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in student tuition and fees revenues for the purpose of this disclosure.

25. Subsequent Events

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

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

	2018 (1)	**2017** (1)	**2016** (1)
University's proportion of the total other postemployment benefits liability	4.13%	4.13%	4.07%
University's proportionate share of the total other postemployment benefits liability	$ 435,779,000	$ 446,394,000	$ 480,770,000
University's covered-employee payroll	$ 539,620,556	$ 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	80.76%	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

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)
University's proportion of the FRS net pension liability	0.829635447%	0.775094790%	0.763712910%	0.764319997%
University's proportionate share of the FRS net pension liability	$ 249,890,497	$ 229,267,838	$ 192,838,109	$ 98,722,179
University's covered payroll (2)	$ 539,620,556	$ 512,542,210	$ 490,228,479	$ 466,345,909
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	46.31%	44.73%	39.34%	21.17%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%

(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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
Contractually required FRS contribution	$ 26,352,406	$ 23,643,944	$ 20,316,942	$ 18,547,490
FRS contributions in relation to the contractually required contribution	(26,352,406)	(23,643,944)	(20,316,942)	(18,547,490)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 566,991,383	$ 539,620,556	$ 512,542,210	$ 490,228,479
FRS contributions as a percentage of covered payroll	4.65%	4.38%	3.96%	3.78%

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

	2014 (1)	2013 (1)
	0.718476151%	0.558052129%
	$ 43,837,611	$ 96,065,609
	$ 443,554,247	$ 431,524,683
	9.88%	22.26%
	96.09%	88.54%

	2015 (1)	2014 (1)
	$ 18,634,771	$ 15,737,677
	(18,634,771)	(15,737,677)
	$ -	$ -
	$ 466,345,909	$ 443,554,247
	4.00%	3.55%

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

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

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
Contractually required HIS contribution	$ 4,160,779	$ 4,035,035	$ 3,803,232	$ 3,647,462
HIS contributions in relation to the contractually required HIS contribution	(4,160,779)	(4,035,035)	(3,803,232)	(3,647,462)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 250,178,460	$ 238,582,447	$ 229,109,865	$ 220,376,032
HIS contributions as a percentage of covered payroll	1.66%	1.69%	1.66%	1.66%

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

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

	2014 (1)	**2013** (1)
	0.668866670%	0.662647783%
	$ 62,540,666	$ 57,692,202
	$ 194,843,828	$ 189,351,023
	32.10%	30.47%
	0.99%	1.78%

	2015 (1)	**2014** (1)
	$ 2,701,889	$ 2,291,312
	(2,701,889)	(2,291,312)
	$ -	$ -
	$ 208,898,281	$ 194,843,828
	1.29%	1.18%

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

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

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

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 7.10 percent to 7.00 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 3.58 percent to 3.87 percent.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 12, 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
December 12, 2019