STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2021-203
May 2021

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2020

Sherrill F. Norman, CPA
Auditor General

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

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

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

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UNIVERSITY OF SOUTH FLORIDA

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SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2020. 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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 3.6 percent, 2.2 percent, 5.8 percent, and 0.8 percent, respectively, of the assets, liabilities, net position, and revenues reported for the University of South Florida. The financial statements of the aggregate discretely presented component units represents 100 percent of the transactions and account balances of the discretely presented component units columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented 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. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of South Florida and of its aggregate discretely presented component units as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's 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 May 7, 2021, on our consideration of the University of South Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of South Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

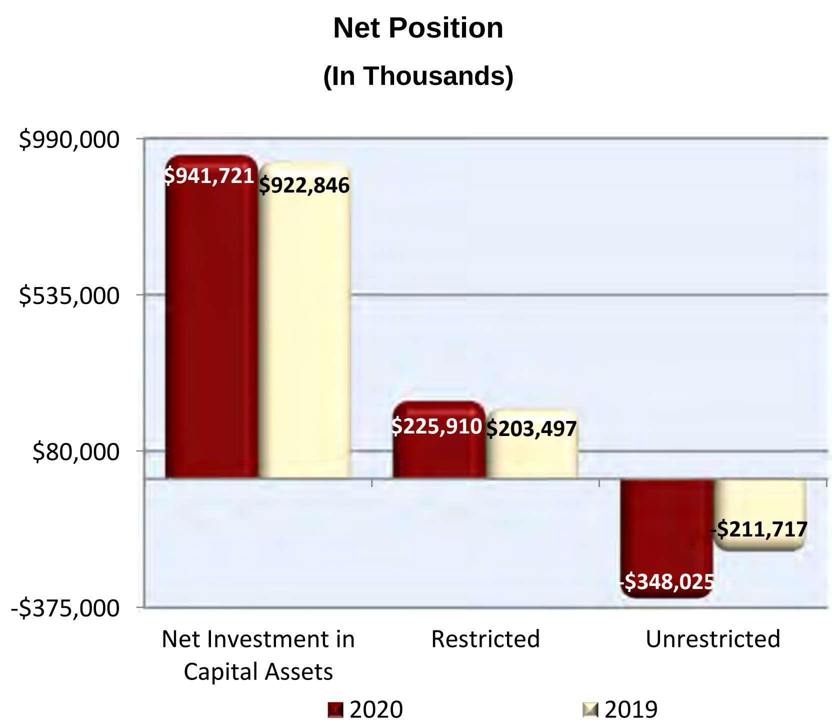
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2020, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2020, and June 30, 2019.

FINANCIAL HIGHLIGHTS

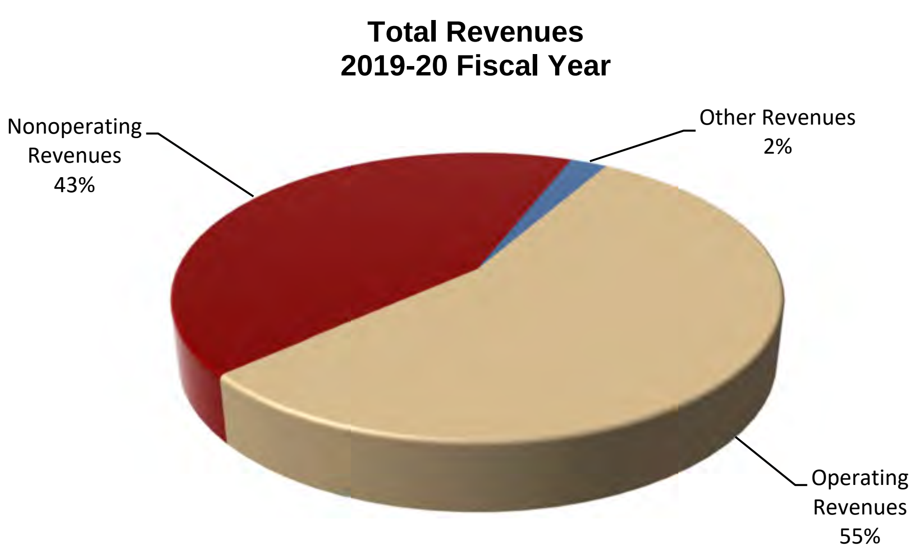
The University's assets and deferred outflows of resources totaled $2.5 billion at June 30, 2020. This balance reflects a $50.2 million, or 2.1 percent, increase as compared to the 2018-19 fiscal year, resulting from increases in deferred outflows related to other postemployment benefits (OPEB), amounts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

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

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2020, and June 30, 2019, is shown in the following graph:



The following chart provides a graphical presentation of University revenues by category for the 2019-20 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.
  - University of South Florida Health Service Support Organization, 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 report under GASB standards, 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)

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

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

Deferred outflows of resources increased $86.3 million related to OPEB, primarily due to an increase in the University's proportional share of the liability and a change in assumptions in which a lower discount rate was used to calculate the liability.

Total liabilities increased $147.1 million due to a $120.5 million increase in the OPEB liability and a $47.3 million increase in the net pension liability. These increases resulted mainly from lower discount rates and increases in the University's proportional share. These OPEB and net pension liability increases were partially offset by a $13.7 million decrease in construction contracts payable due to decreased construction activity at the end of the year and payments made on capital lease and capital improvement debt.

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

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

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

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

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

(In Thousands)

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

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

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2019-20 and 2018-19 fiscal years:

Operating Revenues
For the Fiscal Years

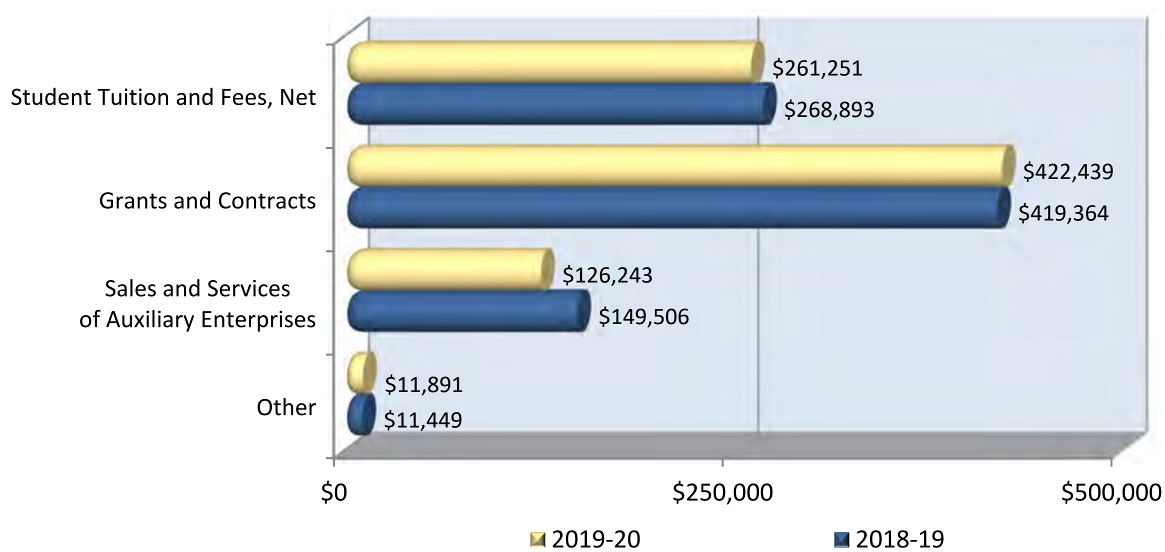
(In Thousands)

	2019-20	2018-19
Student Tuition and Fees, Net	$ 261,251	$ 268,893
Grants and Contracts	422,439	419,364
Sales and Services of Auxiliary Enterprises	126,243	149,506
Other	11,891	11,449
Total Operating Revenues	$ 821,824	$ 849,212

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

Operating Revenues

(In Thousands)



University operating revenues decreased by $27.4 million, or 3.2 percent. This is primarily attributed to a $23.3 million decrease in sales and services of auxiliary enterprises. COVID-19 widely impacted auxiliary sales with significant reductions realized in housing ($8.7 million), dining ($4.6 million), study abroad ($2.7 million), parking ($1.5 million), athletics and arena revenue ($1.5 million), orientation ($1.3 million), bookstore ($1 million), INTO USF ($0.9 million), and College of The Arts ($0.8 million).

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 2019-20 and 2018-19 fiscal years:

Operating Expenses
For the Fiscal Years

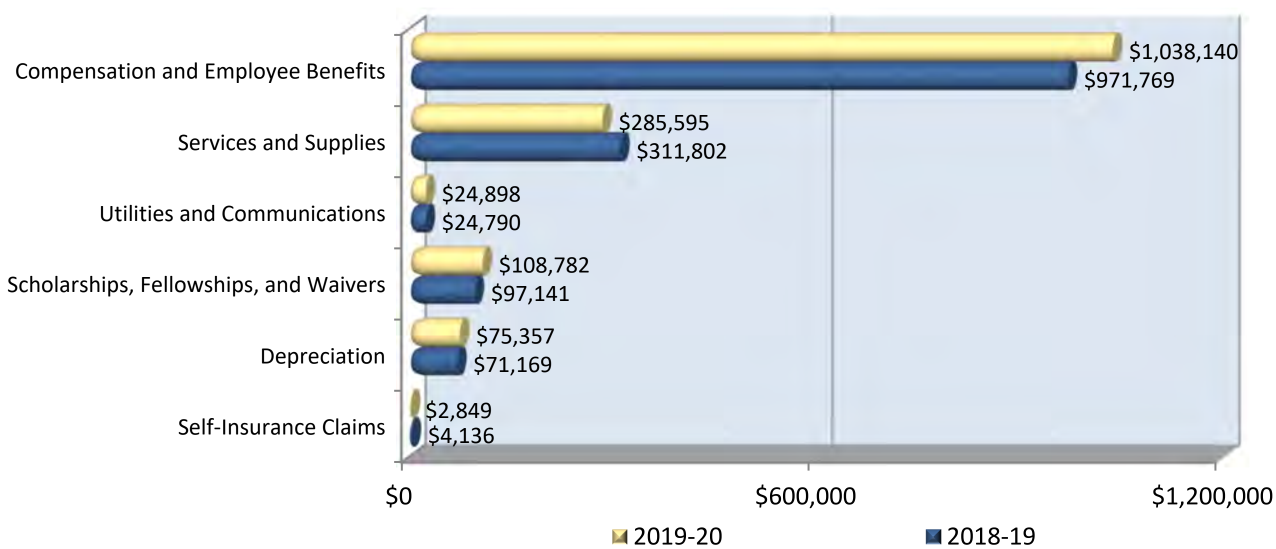
(In Thousands)

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

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

Operating Expenses

(In Thousands)



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

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

Nonoperating Revenues and Expenses

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

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2019-20	**2018-19**
State Noncapital Appropriations	$ 428,947	$ 426,591
Federal and State Student Financial Aid	164,433	147,474
Noncapital Grants and Donations	32,287	25,561
Investment Income	4,174	41,388
Other Nonoperating Revenues	5,518	2,621
Loss on Disposal of Capital Assets	(482)	(392)
Interest on Capital Asset-Related Debt	(10,969)	(13,445)
Other Nonoperating Expenses	(39,812)	(30,121)
Net Nonoperating Revenues	$ 584,096	$ 599,677

Total net nonoperating revenues decreased by $15.6 million, or 2.6 percent. The major component of this decrease was a decrease of $37.2 million in investment income from unrealized losses on investments. The decrease in investment income was partially offset by an increase in Federal and State student financial aid of $17 million. The increase in Federal and State student financial aid was from Federal CARES Act student aid stemming from effects of COVID-19 and increases in Florida Bright Futures scholarships.

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 2019-20 and 2018-19 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2019-20	**2018-19**
State Capital Appropriations	$ 19,130	$ 19,880
Capital Grants, Contracts, Donations, and Fees	15,551	16,460
Total	$ 34,681	$ 36,340

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 2019-20 and 2018-19 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2019-20	**2018-19**
Cash Provided (Used) by:		
Operating Activities	$ (562,127)	$ (497,176)
Noncapital Financing Activities	549,838	562,385
Capital and Related Financing Activities	(86,311)	(87,232)
Investing Activities	114,679	3,293
Net Increase (Decrease) in Cash and Cash Equivalents	16,079	(18,730)
Cash and Cash Equivalents, Beginning of Year	51,629	70,359
Cash and Cash Equivalents, End of Year	$ 67,708	$ 51,629

Major sources of funds came from State noncapital appropriations ($428.9 million), Federal Direct Student Loan receipts ($205 million), net student tuition and fees ($255.9 million), grants and contracts ($413.1 million), sales and services of auxiliary enterprises ($125.1 million), Federal and State financial aid ($164.4 million), and proceeds from sales and maturities of investments ($221.2 million). Major uses of funds were for payments made to and on behalf of employees totaling $951.4 million; payments to suppliers totaling $309.3 million; disbursements to students for Federal Direct Student Loans totaling $205 million, and payments to and on behalf of students for scholarships totaling $108.8 million.

Net cash used by operating activities increased by $65 million. Significant contributors to this increase were a $45.4 million decrease in cash provided by sales and services of auxiliary enterprises, a $27.9 million increase in payments to employees, and an $11.6 million increase in payments to students for scholarships and fellowships, partially offset by a $40.6 million decrease in payments to suppliers for goods and services. Decreases in cash provided by tuition and fees and grants and contracts comprised the rest of the increase in net cash used by operating activities. The decrease in cash provided by sales and services of auxiliary enterprises was due to the impact of COVID-19 as mentioned in the above discussion of operating revenues and the $20 million of revenue received in advance in the 2018-19 fiscal year from Tampa General Hospital for the lease of space in the newly constructed USF Health Morsani College of Medicine and Heart Institute. The increase in payments to employees was primarily driven by the increases in administrative and faculty wages and health insurance benefits. Federal CARES Act student aid was primarily responsible for the increase in payments to students for scholarships and fellowships. The major factors in the decrease in payments to suppliers were decreases in grants subcontracts, promotional advertising, travel, laboratory and research services, computer supplies, facilities maintenance, and software leases.

Cash provided by Federal and State student financial aid increased $17 million due to Federal CARES Act student aid and increases in Florida Bright Futures scholarships. Cash used by operating subsidies and transfers increased $24.3 million from the University Medical Service Association, Inc. (UMSA) convenience fund activity and additional interest swap collateral posted with the USF Financing Corporation. Cash used for other nonoperating disbursements increased $11.4 million largely due to increased transfers to the Agency for Health Care Administration for Medicaid payments from UMSA and increased transfers to UMSA for House Staff.

Cash provided by State capital appropriations decreased $59.9 million primarily due to decreased disbursements for the construction of the USF Health Morsani College of Medicine and Heart Institute in the 2019-20 fiscal year due to its substantial completion in December 2019. The completion of this project is also the main reason for the $66.9 million decrease in cash used for the purchase or construction of capital assets.

Cash provided by investing activities increased by $111.4 million due to a $187.9 million increase in proceeds from sales and maturities of investments, partially offset by a $27.5 million increase in purchases of investments and a $49 million decrease in cash provided by investment income. The increase in proceeds was largely due to the closure of equity mutual fund positions to mitigate losses from market reactions to the COVID-19 pandemic. A decrease in the money market mutual fund position further contributed to the increase in proceeds. The increase in purchases of investments was due to the reinvestment of proceeds from some of the equity position closures into bond mutual fund positions. The decrease in cash provided by investment income was due to decreased investment performance resulting from the adverse economic effects of COVID-19.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the University had $2.2 billion in capital assets, less accumulated depreciation of $896.3 million, for net capital assets of $1.3 billion. Depreciation charges for the current fiscal year totaled $75.4 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)

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

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, 2020, are as follows:

	Amount (In Thousands)
Total Committed	$ 91,209
Completed to Date	(13,674)
Balance Committed	$ 77,535

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

Debt Administration

As of June 30, 2020, the University had $226.9 million in outstanding capital improvement debt payable, installment purchases payable, and capital leases payable, representing a decrease of $12.6 million, or 5.3 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2020	2019
Capital Improvement Debt	$ 12,336	$ 14,934
Installment Purchases	341	189
Capital Leases	214,233	224,368
Total	$ 226,910	$ 239,491

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 2020-21 fiscal year provided a 2 percent increase for State universities. In response to the public health crisis created by the COVID-19 pandemic, the University began the Fall 2020 semester in accordance with the reopening plan approved by the Board of Governors of the State University System. The plan included a hybrid delivery model for instruction and University enrollment was not negatively impacted. While the pandemic has adversely affected the revenues pledged for some of our debt service, we do not anticipate any difficulty in making our 2020-21 fiscal year annual debt service payments. Finally, as the pandemic has adversely impacted the revenue generated by the State of Florida, this may result in a reduction in future State appropriations. Thus, the University is executing a multi-year strategic budget plan to adjust spending to potentially available resources.

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.

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

June 30, 2020

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 66,621,578	$ 48,105,445
Investments	589,564,054	175,098,345
Accounts Receivable, Net	87,949,689	60,542,874
Loans and Notes Receivable, Net	2,393,092	91,250
Due from State	32,142,748	-
Due from University	-	4,285,138
Due from Component Units	48,411,565	555,079
Inventories	267,227	1,720,456
Other Current Assets	738,925	17,808,038
Total Current Assets	828,088,878	308,206,625
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,085,928	30,108,275
Restricted Investments	76,150,228	608,338,699
Loans and Notes Receivable, Net	1,626,894	56,250
Depreciable Capital Assets, Net	1,245,628,205	106,596,641
Nondepreciable Capital Assets	39,799,341	52,505,879
Other Noncurrent Assets	8,021,869	308,236,872
Total Noncurrent Assets	1,372,312,465	1,105,842,616
Total Assets	2,200,401,343	1,414,049,241
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	109,581,070	-
Pensions	151,850,762	-
Interest Rate Swap Agreement	-	18,124,278
Deferred Loss on Debt Refunding	-	939,620
Total Deferred Outflows of Resources	261,431,832	19,063,898
LIABILITIES		
Current Liabilities:		
Accounts Payable	22,595,068	45,784,322
Construction Contracts Payable	215,015	-
Salary and Wages Payable	36,624,609	8,881,628
Deposits Payable	7,280,309	150,052
Due to University	-	48,411,565
Due to Component Units	4,285,138	555,079
Unearned Revenue	29,279,855	3,607,030
Other Current Liabilities	-	513,225
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	5,573,304
Certificates of Participation Payable	-	9,490,000
Capital Improvement Debt Payable	2,653,479	-
Loans and Notes Payable	-	623,640
Installment Purchases Payable	99,563	-
Capital Leases Payable	10,640,895	4,256,664
Estimated Insurance Claims Payable	1,361,237	-
Compensated Absences Payable	7,792,206	-
Dining Facility Fee Payable	23,445	-
Revenue Received in Advance	733,333	-
Other Postemployment Benefits Payable	7,193,608	-
Net Pension Liability	1,625,946	-
Total Current Liabilities	132,403,706	127,846,509

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	112,490,135
Certificates of Participation Payable	-	242,638,272
Capital Improvement Debt Payable	9,682,396	-
Loans and Notes Payable	-	7,089,414
Installment Purchases Payable	241,032	-
Capital Leases Payable	203,592,465	61,608,296
Estimated Insurance Claims Payable	29,211,434	-
Compensated Absences Payable	86,740,688	-
Federal Advance Payable	2,003,671	-
Other Noncurrent Liabilities	-	21,093,940
Dining Fee Facility Payable	4,659,726	-
Revenue Received in Advance	19,266,667	-
Other Postemployment Benefits Payable	549,078,053	-
Net Pension Liability	374,323,125	-
Total Noncurrent Liabilities	1,278,799,257	444,920,057
Total Liabilities	1,411,202,963	572,766,566
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	93,719,480	-
Pensions	23,361,555	-
Deferred Service Concession Arrangement Receipts	113,943,465	-
Irrevocable Split-Interest Agreements	-	21,748,721
Grants Received in Advance	-	1,515,296
Deferred Gain on Capital Lease	-	19,757
Deferred Gain on Debt Refunding	-	130,491
Total Deferred Inflows of Resources	231,024,500	23,414,265
NET POSITION		
Net Investment in Capital Assets	941,721,099	42,519,547
Restricted for Nonexpendable:		
Endowment	-	361,699,411
Restricted for Expendable:		
Debt Service	1,801,913	2,513,917
Loans	5,217,739	-
Capital Projects	36,868,870	-
Other	182,020,806	313,552,311
Unrestricted	(348,024,715)	116,647,122
TOTAL NET POSITION	$ 819,605,712	$ 836,932,308

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, 2020

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $149,922,700 ($2,751,894 Pledged for the Parking System Revenue Bonds)	$ 261,250,826	$ -
Federal Grants and Contracts	188,766,970	-
State and Local Grants and Contracts	36,396,382	-
Nongovernmental Grants and Contracts	197,275,104	81,274,355
Sales and Services of Auxiliary Enterprises ($9,790,997 Pledged for Parking System Revenue Bonds)	126,243,296	-
Sales and Services of Component Units	-	239,158,909
Royalties and Licensing Fees	-	3,381,281
Gifts and Donations	-	55,447,534
Interest on Loans and Notes Receivable	198,178	-
Other Operating Revenues	11,692,813	43,763,622
Total Operating Revenues	821,823,569	423,025,701
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	1,038,139,936	251,763,872
Services and Supplies	285,595,147	134,822,551
Utilities and Communications	24,897,650	2,689,577
Scholarships, Fellowships, and Waivers	108,782,261	13,421,578
Depreciation	75,356,517	8,646,468
Self-Insurance Claims	2,849,185	-
Total Operating Expenses	1,535,620,696	411,344,046
Operating Income (Loss)	(713,797,127)	11,681,655
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	428,946,531	-
Federal and State Student Financial Aid	164,433,241	-
Noncapital Grants and Donations	32,286,627	-
Investment Income	4,173,903	24,964,878
Other Nonoperating Revenues	5,518,181	17,576,504
Loss on Disposal of Capital Assets	(482,140)	(47,761)
Interest on Capital Asset-Related Debt	(10,968,774)	(14,094,560)
Other Nonoperating Expenses	(39,812,073)	(7,202,872)
Net Nonoperating Revenues	584,095,496	21,196,189
Income (Loss) Before Other Revenues	(129,701,631)	32,877,844
Additions to Permanent Endowments	-	15,724,057
State Capital Appropriations	19,129,891	-
Capital Grants, Contracts, Donations, and Fees	15,551,433	1,209,312
Increase (Decrease) in Net Position	(95,020,307)	49,811,213
Net Position, Beginning of Year	914,626,019	796,766,952
Adjustment to Beginning Net Position	-	(9,645,857)
Net Position, Beginning of Year, as Restated	914,626,019	787,121,095
Net Position, End of Year	$ 819,605,712	$ 836,932,308

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

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

For the Fiscal Year Ended June 30, 2020

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 255,870,112
Grants and Contracts	413,084,459
Sales and Services of Auxiliary Enterprises	125,094,017
Interest on Loans Receivable	130,383
Payments to Employees	(951,410,495)
Payments to Suppliers for Goods and Services	(309,301,755)
Payments to Students for Scholarships and Fellowships	(108,782,261)
Payments on Self-Insurance Claims and Expenses	(1,634,376)
Loans Issued to Students	(307,363)
Collection on Loans to Students	805,281
Other Operating Receipts	14,325,084
Net Cash Used by Operating Activities	(562,126,914)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	428,946,531
Federal and State Student Financial Aid	164,433,241
Noncapital Grants, Contracts and Donations	25,363,070
Federal Direct Loan Program Receipts	204,983,537
Federal Direct Loan Program Disbursements	(204,983,537)
Operating Subsidies and Transfers	(31,581,808)
Net Change in Funds Held for Others	239,914
Other Nonoperating Receipts	2,952,879
Other Nonoperating Disbursements	(40,516,309)
Net Cash Provided by Noncapital Financing Activities	549,837,518
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	16,333,673
Capital Grants, Contracts, Donations and Fees	14,688,093
Purchase or Construction of Capital Assets	(93,434,449)
Principal Paid on Capital Debt and Leases	(12,940,599)
Interest Paid on Capital Debt and Leases	(10,957,686)
Net Cash Used by Capital and Related Financing Activities	(86,310,968)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	221,197,526
Purchases of Investments	(99,858,083)
Investment Income	(6,661,013)
Net Cash Provided by Investing Activities	114,678,430
Net Increase in Cash and Cash Equivalents	16,078,066
Cash and Cash Equivalents, Beginning of Year	51,629,440
Cash and Cash Equivalents, End of Year	$ 67,707,506

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (713,797,127)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	75,356,517
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(13,319,307)
Loans and Notes Receivable, Net	497,918
Inventories	2,159
Other Assets	2,916,731
Accounts Payable	1,024,777
Salaries and Wages Payable	(1,783,227)
Deposits Payable	(54,691)
Compensated Absences Payable	6,095,921
Unearned Revenue	(2,509,871)
Estimated Insurance Claims Payable	1,214,809
Other Postemployment Benefits Payable	120,492,661
Net Pension Liability	47,306,843
Deferred Outflows of Resources Related to Other Postemployment Benefits	(99,714,070)
Deferred Inflows of Resources Related to Other Postemployment Benefits	5,967,480
Deferred Outflows of Resources Related to Pensions	13,394,966
Deferred Inflows of Resources Related to Pensions	(5,219,403)
NET CASH USED BY OPERATING ACTIVITIES	$ (562,126,914)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 10,834,916
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.	$ (482,140)
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.	$ 863,340

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

Direct-Support Organizations. The University's direct-support organizations are provided for in Section 1004.28, Florida Statutes, the Board of Governors Regulation 9.011. These legally separate, not-for-profit corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests and valuable education support services and are governed by separate boards. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- The University of South Florida Foundation, Inc. accepts, invests, administers, and distributes private gifts given for the funding of activities and facilities directly related to the mission, role, and scope of the University of South Florida.
- The University of South Florida Alumni Association, Inc. fosters the spirit of loyalty and fraternity among the graduates, former students, and friends of the University, and promotes their continued active interest in and on behalf of the University.
- The Sun Dome, Inc. operates a multi-purpose facility on behalf of the University of South Florida to provide the students, faculty, and staff of the University, as well as the general public, an array of cultural, athletic, and other educational events and activities, including a variety of entertainment events.
- The University of South Florida Institute of Applied Engineering, Inc. is organized and operated to provide applied engineering solutions to the United States Federal government as well as other State, County, and Municipal governments and industry. The Institute will enhance scientific research and educational opportunities for the University and community while attracting new technology-focused industries to the local geographic area.
- The University of South Florida Research Foundation, Inc. has been established to provide a means by which inventions and works may be developed, protected, applied, and utilized so that the results of University research will be made available to the public and funds will be made available from the commercial application of inventions and works to be dedicated to the benefit of the University and shared with the inventor/author.
- The USF Financing Corporation was organized and operated to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University of South Florida.
- The USF Property Corporation was formed for the primary purpose of acting as lessor in connection with “lease-purchase” financings in support of the activities and educational purposes of the University of South Florida and of the USF Financing Corporation by assisting in acquiring facilities and construction facilities on the University campus and in general, furthering the University’s education mission.
- The USF Health Professions Conferencing Corporation was established to provide educational, administrative, logistical, and financial services to support the USF Health’s Office of Continuing Professional Development (OCPD). The OCPD is committed to sponsoring quality continuing educational activities to meet the needs of USF faculty, alumni, and healthcare professionals practicing throughout the State, nationally, and internationally.
- The University Medical Service Association, Inc. (UMSA) is approved as the USF Health Faculty Practice Plan (Plan) pursuant to Florida Board of Governors Regulation 9.017 and USF Regulation 9.017. UMSA specifically functions as the University’s agent for the orderly collection and administration of income generated from University faculty practice in accordance with the Plan and employs and provides personnel to support the USF Health clinical enterprise and mission.
- The University of South Florida Medical Services Support Corporation (MSSC) is organized and operated exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. At the September 16, 2015, Board meeting, the Board

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

Health Services Support Organization.

The University of South Florida Health Service Support Organization, Inc. (HSSO) is provided for in Section 1004.29, Florida Statutes, the Board of Governors Regulation 9.011. The HSSO is a legally separate, not-for-profit corporation organized to benefit the University's academic health sciences center by entering into arrangements with other entities axs providers in other integrated health care systems or similar entities. The HSSO was established in 1996 for the purpose of creating and operating a clinically integrated network, comprised of selected network participants. The HSSO is focused on activities associated with the provision of health care services within the geographic area comprised of Hillsborough, Manatee, Pasco and Pinellas Counties. The HSSO, along with other entities, have entered into Participation Agreements with Tampa Bay Health Alliance, LLC (TBHA) whereby TBHA is granted certain authority to negotiate and enter into certain payor contracts on behalf of such health care providers. Prior to its investment in TBHA, HSSO had no operations.

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

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

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

The University's blended and discretely presented component units use the economic resources measurement focus and the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The University's discretely presented component units follow GASB standards of accounting and financial reporting. The University of South Florida Health Sciences Center Insurance Company (the HSCIC) component of the University of South Florida Health Sciences Center Self-Insurance Program follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

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

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

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

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

- Buildings – 10 to 40 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Lease and Leasehold Improvements – 10 to 40 years
- Other Capital Assets – 3 to 20 years
- Works of Art and Historical Treasures – 5 years

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

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

2. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (423,289,770)
Auxiliary Funds	75,265,055
Total	$ (348,024,715)

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		$ 439,845,220
Amount Expected to be Financed in Future Years:		
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(540,410,071)	
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(247,459,864)	
Total Amount Expected to be Financed in Future Years		(787,869,935)
Total Unrestricted Net Position		$ (348,024,715)

3. 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, 2020, are valued using the following valuation techniques and inputs:

United States Treasury Securities and Bonds and Notes: These securities are valued daily by a pricing service that uses evaluated pricing applications which incorporate available market information.

Available information is also applied through benchmarking processes, sector groupings, and matrix pricing (Level 2 inputs).

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

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

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

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

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

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
SBA Debt Service Accounts	$ 881	$ 881	$ -	$ -
United States Treasury Securities	21,009,224	-	21,009,224	-
Bonds and Notes	24,921,835	-	24,921,835	-
Stocks and Other Equity Securities	20,008,983	20,008,983	-	-
Mutual Funds				
Equities	1,400,626	1,400,626	-	-
Bonds	573,585,913	573,585,913	-	-
Money Market	24,786,820	24,786,820	-	-
Total investments by fair value level	$ 665,714,282	$ 619,783,223	$ 45,931,059	$ -
Total investments	$ 665,714,282			

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

The University reported investments totaling $881 at June 30, 2020, 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.

<u>Component Units' Investments</u>.

The University discretely presented component units' investments at June 30, 2020, are reported at fair value as follows:

Investment Type	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation	University Medical Service Association, Inc.	USF Health Services Support Organization, Inc.	Total
Certificates of Deposit	$ -	$ -	$ -	$ 3,707,652	$ -	$ -	$ 3,707,652
Security Pledged to Swap Counterparty	-	-	-	8,960,000	-	-	8,960,000
Bonds and Notes	-	-	1,430,789	-	-	-	1,430,789
Stocks and Other Equity Securities	-	-	636,640	93,837	-	175,419	905,896
Partnership Investments	100,720,302	1,475,850	5,764,033	-	-	-	107,960,185
Mutual Funds:							
Equities	350,188,721	5,125,106	22,615,116	-	6,787,618	-	384,716,561
Bonds	144,511,947	1,358,796	8,526,117	-	20,925,268	-	175,322,128
Money Market	32,370,697	204,112	4,482,160	42,850,094	-	-	79,907,063
Beneficial Interest Assets	20,526,770	-	-	-	-	-	20,526,770
Total Component Units' Investments	$ 648,318,437	$ 8,163,864	$ 43,454,855	$ 55,611,583	$ 27,712,886	$ 175,419	$ 783,437,044

The component units' recurring fair value measurement as of June 30, 2020, 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	$ 3,707,652	$ 3,707,652	$ -	$ -
Bonds and Notes	1,430,789	-	1,430,789	-
Stocks and Other Equity Securities	636,640	636,640	-	-
Partnership Investments	449,999	-	-	449,999
Mutual Funds				
Equities	174,771,607	174,771,607	-	-
Bonds	81,563,024	81,563,024	-	-
Money Market	79,907,064	79,907,064	-	-
Beneficial Interest Assets	20,526,770	-	-	20,526,770
Total investments by fair value level	362,993,545	$ 340,585,987	$ 1,430,789	$ 20,976,769
Investments measured at the net asset value (NAV)				
Partnership Investments				
Private Equity	34,661,196			
Fixed Income	37,787,765			
Real Asset	35,061,225			
Mutual Funds				
Equities	209,944,954			
Bonds	93,759,104			
Total investments measured at the NAV	411,214,244			
Total investments measured at fair value	774,207,789			
Other				
Security Pledged to Swap Counterparty	8,960,000			
Equity Method Investment	269,255			
Total Other Investments	9,229,255			
Total Component Unit Investments	$ 783,437,044			

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 Investments:				
Private Equity	$ 34,661,196	$ 15,202,760	NA	NA
Fixed Income	37,787,765	9,911,805	Monthly	3-5 days
Real Asset	35,061,225	18,609,735	NA	NA
Mutual Funds:				
Equities	209,944,954	-	Daily/Monthly	2-30 days
Bonds	93,759,104	-	Weekly	0-7 days
Total investments measured at the NAV	$ 411,214,244	$ 43,724,300		

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, 2020:

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)	3.99 Years	(1)	(1)	$ 21,009,224
Bonds and Notes (2)	4.06 Years	Aaa - A3	AAA - A-	24,921,835
Bond Mutual Funds (3)	3.03 Years	Not Rated	Not Rated	573,585,913
Money Market Mutual Funds (2)	48 Days	Aaa-mf	AAAm	788,802
Money Market Mutual Funds (3)	42 Days	Aaa-mf	AAAm	23,998,018
Total				$ 644,303,792

(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	$ 1,430,789	$ 54,231	$ 391,482	$ 324,704	$ 660,372
Partnership Fixed Income	37,787,765	7,860,348	29,927,417	-	-
Mutual Funds:					
Bonds	175,322,128	31,796,182	143,459,761	61,773	4,412
Money Market	79,907,064	79,907,064	-	-	-
Total	$ 294,447,746	$ 119,617,825	$ 173,778,660	$ 386,477	$ 664,784

Discretely Presented Component Units Quality Ratings (1)

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Bonds and Notes	$ 1,430,789	$ 414,131	$ 84,122	$ 323,851	$ 608,685
Partnership Fixed Income	37,787,765	2,122,828	1,541,861	3,782,631	30,340,445
Mutual Funds:					
Bonds	175,322,128	8,433,157	6,499,093	16,929,429	143,460,449
Money Market	79,907,064	42,850,095	-	-	37,056,969
Total	$ 294,447,746	$ 53,820,211	$ 8,125,076	$ 21,035,911	$ 211,466,548

(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 5 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, 2020.

4. 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, 2020, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 59,343,733
Student Tuition and Fees	14,003,558
USF Health Sciences Center Self-Insurance	7,437,180
Other	7,165,218
Total Accounts Receivable	$ 87,949,689

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 $11,073,741 and $2,330,084, respectively, at June 30, 2020.

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

5. Due From State

The amount due from State consists of $2,680,966 of Public Education Capital Outlay, $24,787,776 from Capital Improvement Fee Trust Fund, and $4,674,006 from General Revenue allocations due from the State to the University for construction of University facilities.

6. Due From and To Component Units/University

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

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

7. Capital Assets

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 23,648,989	$ -	$ -	$ 23,648,989
Works of Art and Historical Treasures	1,293,157	9,600	-	1,302,757
Other Capital Assets	1,173,750	-	-	1,173,750
Construction in Progress	164,504,448	60,799,620	211,630,223	13,673,845
Total Nondepreciable Capital Assets	$ 190,620,344	$ 60,809,220	$ 211,630,223	$ 39,799,341
Depreciable Capital Assets:				
Buildings	$ 1,363,567,056	$ 194,587,530	$ -	$ 1,558,154,586
Infrastructure and Other Improvements	71,642,845	14,626,291	-	86,269,136
Furniture and Equipment	209,622,381	16,393,725	6,565,704	219,450,402
Library Resources	32,066,316	4,773,849	1,220	36,838,945
Property Under Capital Leases and Leasehold Improvements	226,160,662	177,831	33,401	226,305,092
Works of Art and Historical Treasures	345,600	-	-	345,600
Other Capital Assets	14,798,547	124,068	317,415	14,605,200
Total Depreciable Capital Assets	1,918,203,407	230,683,294	6,917,740	2,141,968,961
Less, Accumulated Depreciation:				
Buildings	558,885,782	39,827,876	-	598,713,658
Infrastructure and Other Improvements	42,294,599	3,243,119	-	45,537,718
Furniture and Equipment	135,773,532	15,209,677	5,800,950	145,182,259
Library Resources	14,074,910	2,764,666	-	16,839,576
Property Under Capital Leases and Leasehold Improvements	62,648,679	13,953,264	6,937	76,595,006
Works of Art and Historical Treasures	315,750	16,200	-	331,950
Other Capital Assets	13,096,851	341,715	297,977	13,140,589
Total Accumulated Depreciation	827,090,103	75,356,517	6,105,864	896,340,756
Total Depreciable Capital Assets, Net	$ 1,091,113,304	$ 155,326,777	$ 811,876	$ 1,245,628,205

8. 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 2018-19 fiscal year. The Tenant will transfer ownership of the new facilities to the University at the end of the agreement. The Tenant is entitled to all revenues and other income received from the lease of the housing facilities. The Tenant will pay the University base rent annually as a distribution of the net operating surplus as defined in the agreement. The University will pay the Tenant a fee in the amount of $300,000 per year for the use of the dining facility. The University retains the right to approve retail tenants and will oversee student housing by providing administrative services. Housing resident rental rates must be approved unanimously by an advisory committee which includes two members designated by the University. The

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

9. Unearned Revenue

Unearned revenue at June 30, 2020, 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, 2020, 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, 2020, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 24,581,969
Capital Appropriations	334,685
Auxiliary Prepayments	4,363,201
Total Unearned Revenue	$ 29,279,855

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2020, include capital improvement debt payable, installment purchases payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advance payable, dining facility fee payable, revenue received in advance, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 14,934,354	$ -	$ 2,598,479	$ 12,335,875	$ 2,653,479
Installment Purchases Payable	189,249	325,299	173,953	340,595	99,563
Capital Leases Payable	224,367,888	-	10,134,528	214,233,360	10,640,895
Estimated Insurance Claims Payable	29,357,862	2,849,185	1,634,376	30,572,671	1,361,237
Compensated Absences Payable	88,436,972	13,422,471	7,326,549	94,532,894	7,792,206
Federal Advance Payable	2,850,182	-	846,511	2,003,671	-
Dining Facility Fee Payable	4,705,288	-	22,117	4,683,171	23,445
Revenue Received in Advance	20,000,000	-	-	20,000,000	733,333
Other Postemployment Benefits Payable	435,779,000	225,777,767	105,285,106	556,271,661	7,193,608
Net Pension Liability	328,642,228	235,768,638	188,461,795	375,949,071	1,625,946
Total Long-Term Liabilities	$ 1,149,263,023	$ 478,143,360	$ 316,483,414	$ 1,310,922,969	$ 32,123,712

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2020:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rate (Percent)	Maturity Date To
Capital Improvement Debt:				
2016A Parking	$ 21,545,000	$ 12,335,875	2.2	2026
Total Capital Improvement Debt	$ 21,545,000	$ 12,335,875		

(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 $12,335,875 in capital improvement (parking) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages. The bonds are payable solely from traffic and parking fees, and transportation access fees and are payable through 2026. The University has committed to appropriate each year from the traffic and parking fees, transportation access fees, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $13,216,140 and principal and interest paid for the current year totaled $2,940,330. During the 2019-20 fiscal year, traffic and parking fees, and transportation access fees totaled $9,790,997 and $2,751,894, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	1,135,000	50,490	1,185,490
2026	1,160,000	25,520	1,185,520
Subtotal	12,405,000	811,140	13,216,140
Deferred Loss on Refunding	(69,125)	-	(69,125)
Total	$ 12,335,875	$ 811,140	$ 13,147,015

Installment Purchases Payable. The University has entered into installment purchase agreements for the purchase of equipment reported at $505,325. The stated interest rates ranged from 2.9 percent to 4 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, 2020, are as follows:

Fiscal Year Ending June 30	Amount
2021	$ 112,218
2022	112,218
2023	73,061
2024	73,061
Total Minimum Payments	370,558
Less, Amount Representing Interest	29,963
Present Value of Minimum Payments	$ 340,595

Capital Leases Payable. The University has entered into capital lease agreements for equipment in the amount of $677,538. The stated interest rates range from 5.8 percent to 7.3 percent. In addition, the University has capital leases payable to USF Financing Corporation for debt used to finance the construction of various buildings, building improvements, and infrastructure.

The underlying debt of the capital leases payable to USF Financing Corporation as of June 30, 2020, is as follows:

Debt Type and Series	Amount of Original Debt	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Bonds:				
Series 2015 Marshall Center	$31,595,000	26,595,000	3.65-5.00	2036
Notes:				
Series 2013 Arena (1)	20,000,000	15,190,833	4.78	2033
Series 2018A Athletics (1)	7,685,180	6,843,759	3.46	2030
Series 2018B Athletics (1)	10,486,685	9,354,110	3.51	2031
Certificates of Participation:				
Series 2003A Athletics	9,905,000	2,985,000	3.82	2022
Series 2012A Housing	77,015,000	75,365,000	5.00	2035
Series 2012B Housing	68,975,000	53,425,000	4.67	2037
Series 2015A Housing	23,640,000	8,900,000	2.63-5.00	2023
Series 2019 Housing	15,510,000	15,380,000	3.25-5.00	2040
Total	$264,811,865	$ 214,038,702		

(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 11.

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2020, are as follows:

Fiscal Year Ending June 30		Amount
2021	$	20,504,293
2022		20,467,812
2023		20,416,434
2024		19,655,075
2025		19,693,978
2026-2030		99,166,697
2031-2035		87,261,554
2036-2040		16,889,739
Total Minimum Payments		304,055,582
Less, Amount Representing Interest		89,822,222
Present Value of Minimum Payments	$	214,233,360

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, 2020, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $94,532,894. The current portion of the compensated absences liability, $7,792,206, 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 $2,003,671.

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, 2020, are as follows:

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

Revenue Received in Advance. Revenue received in advance is rent received in advance from Tampa General Hospital for the lease of space in the USF Health Morsani College of Medicine and Heart Institute. The initial lease term is 25 years with a commencement date of August 1, 2020. Total revenue received in advance at June 30, 2020, was $20,000,000, with $733,333 expected to be earned during the 2020-21 fiscal year.

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

General Information about the OPEB Plan

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

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

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

Proportionate Share of the Total OPEB Liability

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

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

Inflation	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	2.79 percent
Healthcare cost trend rates	6.7 percent for Preferred Provider Organizations (PPO) for the fiscal year 2020, initially increasing to 8.6 percent pre-Medicare and 8.2 percent post-Medicare for 2023 before decreasing to ultimate rates of 5.4 percent and 5.2 percent, respectively, for 2072 and later years. 5.2 percent for Health Maintenance Organizations (HMO) for fiscal year 2020, initially increasing to 6.6 percent pre-Medicare and 6.3 percent post-Medicare for 2023 before decreasing to ultimate rates of 5.4 percent and 5.3 percent, respectively, for 2072 and later years.
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on the Standard & Poor's Municipal Bond 20 Year High Grade Rate Index.

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

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

The following changes have been made since the prior valuation:

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

- Discount Rate – The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Rate Index as of the measurement date, as required under GASB 75. Due to the change in the benchmark used as well as the market environment changes between June 30, 2018, and June 30, 2019, the discount rate decreased from 3.87 percent to 2.79 percent, resulting in higher liabilities to be reported for the reporting period ending June 30, 2020.
- Excise ("Cadillac") Tax – The full impact of the Excise Tax that will come into effect in 2022 is reflected. The impact of this change was an increase in liabilities of about 12 percent. There is some reasonable chance that this tax will be repealed before it actually takes effect.
- Claims Costs and Premium Rates – The assumed claims and premiums reflect the actual claims information provided as well as the premiums that are actually being charged to participants. These updates resulted in lower liabilities as of June 30, 2019.
- Trend Rate – The medical trend assumption was updated based on the Getzen Model. Medical trend rates consistent with the August 2019 Report on the Financial Outlook of the Plan were used along with information from the Getzen Model and actuarial judgement. The impact of the trend rate changes is a decrease in the liability, due primarily to lower trend rates in the first several years.
- Mortality – The mortality rates were updated to those required by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in Milliman's July 1, 2018 FRS valuation report. The impact of this change was very small and does not materially impact the results.

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

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

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the 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	$433,037,632	$556,271,661	$728,339,971

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

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

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

Of the total amount reported as deferred outflows of resources related to OPEB, $7,366,991 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, 2021. 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
2021	$ (2,071,537)
2022	(2,071,537)
2023	(2,071,537)
2024	(2,071,537)
2025	(2,071,537)
Thereafter	18,852,284
Total	$ 8,494,599

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, 2020, the University's proportionate share of the net pension liabilities totaled $375,949,071. Note 12. includes a complete discussion of defined benefit pension plans.

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

Long-term liabilities of the USF Financing Corporation at June 30, 2020, include a mortgage loan payable, notes payable, bonds payable, and certificates of participation payable. Long-term liabilities activity for the year ended June 30, 2020, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Bonds Payable	$ 28,700,000	$ -	$ 1,030,000	$ 27,670,000	$ 1,075,000
Certificates of Participation Payable	137,615,000	-	3,830,000	133,785,000	4,000,000
Direct Borrowings and Placements:					
Mortgage Loan Payable	3,600,000	-	219,798	3,380,202	232,209
Notes Payable	48,590,027	27,000,000	2,664,217	72,925,810	3,723,304
Certificates of Participation Payable	114,405,000	-	5,315,000	109,090,000	5,490,000
Long Term Liabilities	332,910,027	27,000,000	13,059,015	346,851,012	14,520,513
Original Issue Premium	13,108,050	-	1,797,149	11,310,901	
Total Long Term Liabilities	$ 346,018,077	$ 27,000,000	$ 14,856,164	$ 358,161,913	

Mortgage Loan Payable

The USF Financing Corporation had a mortgage loan payable outstanding at June 30, 2020, as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rate	Issue Date	Maturity Date
Series 2019 UDI Building	$ 3,600,000	$ 3,380,202	4.33	2019	2031
Total	$ 3,600,000	$ 3,380,202			

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. 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 $3,576,430 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, 2020:

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

Notes Payable.

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

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

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

The Series 2013 Arena Note is a direct borrowing from the bank. The Note is not secured by any assets 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 Truist 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, fixed interest rates. 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 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 Truist Bank to refund the Series 2010 CAMLS Note, which was originally issued to finance the acquisition, construction, and equipping of the USF Center for Advanced Medical Learning and Simulation (CAMLS) facility. The loan is evidenced by the Series 2018 CAMLS Note, which was issued at a tax-exempt, fixed interest rate. The Series 2018 CAMLS Note is callable at the option of the USF Financing Corporation on any scheduled payment date at: 101 percent of principal outstanding if prepaid during the first five years of the loan; 100.5 percent if prepaid between the fifth and tenth years of the loan; and 100 percent if prepaid after the tenth anniversary of the loan.

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

For the Series 2018 CAMLS Note, the USF Financing Corporation entered into a Ground Lease Agreement, dated as of December 15, 2010, and amended as of June 12, 2015, and March 9, 2018, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the CAMLS facility is located. The University acquired land in the central business district of downtown Tampa, Florida. The USF Financing Corporation subleased the CAMLS facility to USF Health Professions Conferencing Corporation (HPCC), a direct-support organization of the University, pursuant to a facility lease agreement, until 2051, unless sooner terminated. USF HPCC makes 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.

Series 2019 Research Laboratory and Office Building Note. On December 16, 2019, the USF Financing Corporation entered into a loan agreement with Truist Bank, evidenced by the Series 2019 Taxable Promissory Note (Series 2019 Research Note). The proceeds of the loan were used 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 (Research Laboratory and Office Building). The Series 2019 Research 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: 105 percent of principal outstanding if prepaid in the first year of the loan, 104 percent in the second year, 103 percent in the third year, 102 percent in the fourth year, 101 percent in the fifth year, and 100 percent if prepaid after the fifth year of the loan.

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

For the Series 2019 Research Laboratory and Office Building Note, the USF Financing Corporation entered into a sublease agreement, dated March 11, 2020, with the USF Research Foundation whereby the USF Research Foundation has leased to the USF Financing Corporation the land on which the Research Laboratory and Office Building will be developed. Pursuant to the master lease agreement, dated December 16, 2019, the USF Financing Corporation sub-subleased the land and the improvements back to the USF Research Foundation until the earlier of the date all amounts due on the loan are paid in full or July 1, 2052, unless sooner terminated. The USF Research Foundation is permitted to take possession of the land and improvement upon completion of such improvements. The USF Research Foundation makes rent payments to the 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. Upon completion of the improvements and USF Research Foundation taking possession, the rental payments will be recorded as capital leases receivable pursuant to GASB Statement No. 62.

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

The following is a schedule of future payments payable under the loan agreements as of June 30, 2020:

	Direct Borrowing	
Fiscal Year Ending June 30	**Principal**	**Interest**
2021	$ 3,723,304	$ 2,647,912
2022	3,937,623	2,507,073
2023	4,157,316	2,358,398
2024	4,393,059	2,203,046
2025	4,640,557	2,035,654
2026–2030	27,467,444	7,350,013
2031–2035	15,722,367	2,647,548
2036–2040	8,884,140	761,372
Total Minimum Payments	$ 72,925,810	$ 22,511,016

<u>Bonds Payable</u>.

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

Description	**Amount of Original Issue**	**Amount Outstanding**	**Percent of Interest Rates**	**Issue Date**	**Maturity Date**
Series 2015 Marshall Center	$ 31,595,000	$ 27,670,000	3.65–5.00	2015	2036
Total	$ 31,595,000	$ 27,670,000			

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, 2020, the unamortized balance of the deferred outflow of resources was $206,198. 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, 2020:

	Bonds	
Fiscal Year Ending June 30	**Principal**	**Interest**
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	1,305,000	1,060,770
2026–2030	7,560,000	4,233,225
2031–2035	9,650,000	2,091,475
2036–2038	4,530,000	170,073
Total Minimum Payments	27,670,000	$ 12,405,498
Unamortized Premium	2,057,629	
Bonds Payable	$ 29,727,629	

Certificates of Participation Payable.

The USF Financing Corporation had Certificates of Participation (Certificates) outstanding at June 30, 2020 as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue/ Acceptance Date	Maturity Date
Series 2010A Housing	$ 2,860,000	$ 410,000	4.75–5.00	2010	2020
Series 2012A Housing	77,015,000	75,685,000	4.00–5.00	2015	2035
Series 2015A Housing	23,640,000	12,115,000	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	15,435,000	3.25–5.00	2019	2040
Direct Placements:					
Series 2003A Athletics	9,905,000	2,985,000	3.82	2011	2022
Series 2012B Housing	68,975,000	55,625,000	4.67	2012	2037
Series 2013A Health	37,920,000	33,240,000	2.71	2016	2036
Series 2013B Health	17,925,000	17,240,000	3.39	2018	2037
Total	$ 283,890,000	$ 242,875,000			

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 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 rates ranging from 3 to 5 percent. The Certificates, which mature in 2020, are not callable prior to maturity.

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

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

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

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

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

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

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

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

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

Series 2019 Housing Refunding Certificates (Refunded Series 2010B Housing Certificates). The 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 $43,356, 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, 2020, the defeased Series 2010B Certificates were outstanding in the principal amount of $15,140,000. The advance 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, 2020, the unamortized balance of the deferred outflow of resources was $733,422. The USF Financing Corporation completed the advance refunding to reduce its total debt service payments 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 Truist Bank, 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 Truist Bank. On March 15, 2011, Truist Bank 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 101 percent of the principal amount outstanding on any date from March 1, 2019, through February 29, 2020, and at 100 percent of the principal amount outstanding on any date thereafter. The Series 2003A Athletics Certificates hold a tax-exempt, fixed interest rate of 3.82 percent.

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

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

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

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

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

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

The Series 2013B Health Certificates are directly placed with the bank. The Certificates are not secured 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, 2020:

	Certificates		Direct Placements	
Fiscal Year ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
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	5,665,000	5,299,250	5,140,000	3,264,427
2026–2030	33,120,000	21,813,125	28,360,000	13,208,503
2031–2035	42,545,000	12,468,150	33,225,000	7,332,373
2036–2040	18,525,000	4,540,538	20,300,000	1,172,467
2041–2045	8,295,000	2,186,100	-	-
2046–2050	6,900,000	565,400	-	-
Total Minimum Payments	133,785,000	$ 70,472,429	109,090,000	$ 40,042,212
Unamortized Premium	9,253,272		-	
Certificates of Participation Payable	$ 143,038,272		$ 109,090,000	

Covenants. All of the Notes, Bonds, Certificates, and the Mortgage Loan 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 agreements require the Corporation to set aside certain funds for debt service payments and for facility renewal and replacement reserves. Such funds amounted to $39,298,290 at June 30, 2020, and are included in restricted cash and cash equivalents on the USF Finance Corporation's 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, 2020, 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 associated Series 2012B Housing 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, 2020:

Underlying Bond Issue	Counter-party	Initial Notional Amount of Swap	Outstanding Amount of Swap	Effective Date	Initial Term (Years)	Semi Annual Fixed Rate Percentage	Fair value June 30, 2020	Cash Flow
Series 2012B	Royal Bank of Canada	$ 73,700,000	$ 55,625,000	9-25-07	30	3.939	$ (18,124,278)	$ (1,435,372)

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

The unadjusted fair value of the USF Financing Corporation's swap agreement at June 30, 2020, was ($18,971,902). In accordance with GASB Statement No. 72, Fair Value Measurement and Application, these values are adjusted using third-party models to take into account current interest rates and the current creditworthiness of the counterparties. The credit value adjusted fair value of the USF Financing Corporation's swap agreement at June 30, 2020, of ($18,124,278) is included on the USF Financing Corporation's statement of net position. As the outstanding swap agreement met the criteria set forth under GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, as an effective hedging derivative instrument, hedge accounting was applied and, thus, the accumulated change in the interest rate swap agreement was reported as deferred outflow of resources on the statement of net position. The change in fair value for the year ended June 30, 2020, was ($5,202,583) which is recorded as an increase in deferred outflows of resources. The following is a schedule of expected future interest payments required under the swap agreement, as of June 30, 2020:

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

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

As of June 30, 2020, the total posted collateral was $8,960,000. This amount is classified as security pledged to counterparty in the USF Financing Corporation's Statement of Net Position at June 30, 2020.

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.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. 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 $86,801,135 for the fiscal year ended June 30, 2020.

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* – Members in senior management level positions.

- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal 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 2019-20 fiscal year were:

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
FRS, Special Risk	3.00	25.48
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
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 $27,147,192 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the University reported a liability of $290,918,794 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.844746094 percent, which was an increase of 0.015110647 from its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of $78,999,531. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 17,255,225	$ 180,542
Change of assumptions	74,720,464	-
Net difference between projected and actual earnings on FRS Plan investments	-	16,095,146
Changes in proportion and differences between University contributions and proportionate share of contributions	12,982,576	32,068
University FRS contributions subsequent to the measurement date	27,147,192	-
Total	$ 132,105,457	$ 16,307,756

The deferred outflows of resources totaling $27,147,192, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2021	$ 32,161,071
2022	10,879,864
2023	22,275,154
2024	17,200,020
2025	4,976,313
Thereafter	1,158,087
Total	$ 88,650,509

Actuarial Assumptions. The total pension liability in the July 1, 2019, 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	6.90 percent, net of pension plan investment expense, including inflation

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

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

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

Asset Class	**Target Allocation** (1)	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.90 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 2019 valuation was updated from 7.00 percent to 6.90 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 6.90 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 (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	**Current Discount Rate (6.90%)**	**1% Increase (7.90%)**
University's proportionate share of the net pension liability	$502,901,719	$290,918,794	$113,877,195

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, 2020, 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, 2020, 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 $4,271,595 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the University reported a liability of $85,030,277 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The University's proportionate share of the net pension liability was based on the University's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the University's proportionate share was 0.759945329 percent, which was an increase of 0.015889248 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the University recognized pension expense of $7,801,604. 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
Difference between actual and expected experience	$	1,032,788	$	104,117
Change of assumptions		9,845,703		6,949,682
Net difference between projected and actual earnings on HIS Plan investments		54,869		-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions		4,540,350		-
University HIS contributions subsequent to the measurement date		4,271,595		-
Total	$	19,745,305	$	7,053,799

The deferred outflows of resources totaling $4,271,595, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ 2,933,376
2022	2,543,098
2023	1,549,135
2024	3,424
2025	480,481
Thereafter	910,397
Total	$ 8,419,911

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	3.50 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 3.50 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 2019 valuation was updated from 3.87 percent to 3.50 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.50 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

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

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

13. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2019-20 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, 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 $6,895,387 for the fiscal year ended June 30, 2020.

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, 3.56 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.71 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 $28,238,887, and employee contributions totaled $17,505,447 for the 2019-20 fiscal year.

14. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
USF Wellness Center Complex	$ 20,413,439	$ 222,951	$ 20,190,488
USF Health Morsani College of Medicine and Heart Institute	16,763,077	-	16,763,077
Davis Hall Renovations	5,257,473	751,754	4,505,719
USF Honors College Building	4,366,800	2,339,270	2,027,530
Subtotal	46,800,789	3,313,975	43,486,814
Other Projects (1)	44,408,091	10,359,870	34,048,221
Total	$ 91,208,880	$ 13,673,845	$ 77,535,035

(1) Individual projects with a current balance committed of less than $4 million at June 30, 2020.

15. 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 2019-20 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 $68.5 million for named windstorm and flood through February 14, 2020, and decreased to $62.75 million starting February 15, 2020. 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.

16. 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 15.

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, 2019, and June 30, 2020, 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
2018-19	$ 27,685,240	$ 4,136,542	$ (2,463,920)	$ 29,357,862
2019-20	29,357,862	2,849,185	(1,634,376)	30,572,671

17. Litigation

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

18. Functional Distribution of Operating Expenses

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

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

19. Segment Information

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

Condensed Statement of Net Position

	Parking Facilities
Assets	
Current Assets	$ 17,495,727
Capital Assets, Net	34,934,853
Other Noncurrent Assets	11,954,805
Total Assets	64,385,385
Deferred Outflows of Resources	1,256,861
Liabilities	
Current Liabilities	2,832,032
Noncurrent Liabilities	14,410,598
Total Liabilities	17,242,630
Deferred Inflows of Resources	562,879
Net Position	
Net Investment in Capital Assets	22,598,978
Restricted - Expendable	12,656,219
Unrestricted	12,581,540
Total Net Position	$ 47,836,737

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

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

Condensed Statement of Cash Flows

	Parking Facilities
Net Cash Provided (Used) by:	
Operating Activities	$ 3,460,390
Capital and Related Financing Activities	(3,923,507)
Investing Activities	1,704,352
Net Increase in Cash and Cash Equivalents	1,241,235
Cash and Cash Equivalents, Beginning of Year	1,949,094
Cash and Cash Equivalents, End of Year	$ 3,190,329

20. Blended Component Unit

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

Condensed Statement of Net Position

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Other Current Assets	$ 11,481,109	$ 816,607,769	$ -	$ 828,088,878
Capital Assets, Net	1,750	1,285,425,796	-	1,285,427,546
Other Noncurrent Assets	66,768,233	20,116,686	-	86,884,919
Total Assets	78,251,092	2,122,150,251	-	2,200,401,343
Deferred Outflows of Resources	-	261,431,832	-	261,431,832
Liabilities:				
Other Current Liabilities	1,427,432	130,976,274	-	132,403,706
Noncurrent Liabilities	29,211,434	1,249,587,823	-	1,278,799,257
Total Liabilities	30,638,866	1,380,564,097	-	1,411,202,963
Deferred Inflows of Resources	-	231,024,500	-	231,024,500
Net Position:				
Net Investment in Capital Assets	1,750	941,719,349	-	941,721,099
Restricted - Expendable	47,610,476	178,298,852	-	225,909,328
Unrestricted	-	(348,024,715)	-	(348,024,715)
Total Net Position	$ 47,612,226	$ 771,993,486	$ -	$ 819,605,712

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

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

Condensed Statement of Cash Flows

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 3,250,448	$ (565,377,362)	$ -	$ (562,126,914)
Noncapital Financing Activities	-	549,837,518	-	549,837,518
Capital and Related Financing Activities	(1,325)	(86,309,643)	-	(86,310,968)
Investing Activities	(4,621,456)	119,299,886	-	114,678,430
Net Increase (Decrease) in Cash and Cash Equivalents	(1,372,333)	17,450,399	-	16,078,066
Cash and Cash Equivalents, Beginning of Year	3,734,491	47,894,949	-	51,629,440
Cash and Cash Equivalents, End of Year	$ 2,362,158	$ 65,345,348	$ -	$ 67,707,506

21. Discretely Presented Component Units

The University has eleven 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	$ 127,798,115	$ 779,536	$ 5,054,631	$ 904,583
Capital Assets, Net	14,786,651	-	16,306,539	743,369
Other Noncurrent Assets	573,795,709	7,654,297	6,650	-
Total Assets	716,380,475	8,433,833	21,367,820	1,647,952
Deferred Outflows of Resources	-	-	-	-
Liabilities:				
Current Liabilities	1,749,784	590,986	3,611,159	1,368,841
Noncurrent Liabilities	4,827,518	1,843,012	12,678,433	-
Total Liabilities	6,577,302	2,433,998	16,289,592	1,368,841
Deferred Inflows of Resources	21,748,721	-	1,515,296	-
Net Position:				
Net Investment in Capital Assets	10,453,799	-	2,467,780	743,369
Restricted Nonexpendable	360,710,543	988,868	-	-
Restricted Expendable	298,642,594	304,723	-	-
Unrestricted	18,247,516	4,706,244	1,095,152	(464,258)
Total Net Position	$ 688,054,452	$ 5,999,835	$ 3,562,932	$ 279,111

(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.

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

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

	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	$ 67,192,022	$ 2,758,485	$ 14,134,014	$ 3,819,263
Operating Expenses	(69,268,344)	(2,733,364)	(14,510,966)	(3,754,011)
Operating Income (Loss)	(2,076,322)	25,121	(376,952)	65,252
Net Nonoperating Revenues (Expenses)	37,648,744	239,884	(199,246)	47,927
Other Revenues	15,700,782	23,275	-	-
Increase (Decrease) in Net Position	51,273,204	288,280	(576,198)	113,179
Net Position, Beginning of Year	636,781,248	5,711,555	4,139,130	165,932
Adjustment to Beginning Net Position (2)	-	-	-	-
Net Position, Beginning of Year, as Restated	636,781,248	5,711,555	4,139,130	165,932
Net Position, End of Year	$ 688,054,452	$ 5,999,835	$ 3,562,932	$ 279,111

(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 due to a restatement of the University Medical Service Association, Inc. (UMSA) financial statements. The ($9,474,932) adjustment is for the effect of error corrections on UMSA's restated 2018-19 fiscal year ending net position. Additional information regarding the restatement may be found in Note C of UMSA's June 30, 2020 financial statements. Beginning Net Position was also adjusted to include University Health Services Support Organization, Inc. (HSSO) in the discrete presentation of component units in the 2019-20 fiscal year. The ($170,925) adjustment is for HSSO's 2018-19 fiscal year ending net position.

	Direct-Support Organizations				Health Services Support Organization	
	USF Institute of Applied Engineering, Inc.	**University of South Florida Research Foundation, Inc.**	**USF Financing Corporation and USF Property Corporation** (1)	**University Medical Service Association, Inc. (Faculty Practice Plan)**	**University Health Services Support Organization, Inc.**	**Total**
	$ 1,098,191	$ 12,924,054	$ 16,290,340	$ 304,809,332	$ -	$ 423,025,701
	(1,758,021)	(10,360,875)	(1,323,024)	(307,634,763)	(678)	(411,344,046)
	(659,830)	2,563,179	14,967,316	(2,825,431)	(678)	11,681,655
	716,822	875,073	(10,481,200)	(7,548,442)	(103,373)	21,196,189
	-	-	1,209,312	-	-	16,933,369
	56,992	3,438,252	5,695,428	(10,373,873)	(104,051)	49,811,213
	96,669	66,487,922	17,029,156	66,355,340	-	796,766,952
	-	-	-	(9,474,932)	(170,925)	(9,645,857)
	96,669	66,487,922	17,029,156	56,880,408	(170,925)	787,121,095
	$ 153,661	$ 69,926,174	$ 22,724,584	$ 46,506,535	$ (274,976)	$ 836,932,308

22. Subsequent Events

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
University's proportion of the total other postemployment benefits liability	4.39%	4.13%	4.13%	4.07%
University's proportionate share of the total other postemployment benefits liability	$ 556,271,661	$ 435,779,000	$ 446,394,000	$ 480,770,000
University's covered-employee payroll	$ 566,991,383	$ 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	98.11%	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

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

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

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

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

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

2015 (1)	2014 (1)	2013 (1)
0.764319997%	0.718476151%	0.558052129%
$ 98,722,179	$ 43,837,611	$ 96,065,609
$ 466,345,909	$ 443,554,247	$ 431,524,683
21.17%	9.88%	22.26%
92.00%	96.09%	88.54%

2016 (1)	2015 (1)	2014 (1)
$ 18,547,490	$ 18,634,771	$ 15,737,677
(18,547,490)	(18,634,771)	(15,737,677)
$ -	$ -	$ -
$ 490,228,479	$ 466,345,909	$ 443,554,247
3.78%	4.00%	3.55%

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

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

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

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

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

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

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

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

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

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

Changes of Assumptions. The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. Due to the change in the benchmark used as well as the market environment changes between June 30, 2018, and June 30, 2019, the discount rate decreased from 3.87 percent to 2.79 percent, resulting in higher liabilities to be reported for the reporting period ending June 30, 2020.

Other changes of assumptions since the prior valuation were the inclusion of the impact of the Excise Tax that will come into effect in 2022, as well as updates to census data, claims costs and premium rates, medical trend rates, and mortality rates.

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 7.00 percent to 6.90 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 decreased from 3.87 percent to 3.50 percent.

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT 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, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated May 7, 2021, 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 aggregate discretely presented component unit auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards*.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the 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
May 7, 2021