

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2019

Financial Audit

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2018-19 fiscal year, Dr. Judy L. Genshaft served as President of the University of South Florida and the following individuals served as Members of the Board of Trustees:

Jordan B. Zimmerman, Chair from 4-1-19, Vice Chair through 3-31-19	Oscar J. Horton Moneer Kheireddine through 5-5-19 ^b
Leslie M. Muma, Vice Chair from 4-1-19	Dr. Deanna Michael ^c
Brian D. Lamb, Chair through 3-31-19 ^a	Harold W. Mullis Jr.
Michael Carrere	John B. Ramil
Britney Deas from 5-6-19 ^b	Byron E. Shinn
Stephanie E. Goforth	Charles Tokarz
Michael E. Griffin from 6-13-19	Nancy H. Watkins

^a Trustee resigned 3-31-19, and Trustee position vacant through 6-12-19.

^b Student Body President.

^c System Faculty Council President (equivalent to Faculty Senate Chair referred to in Section 1001.71(1), Florida Statutes).

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

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

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at

jaimehoelscher@a

g

d

o

UNIVERSITY OF SOUTH FLORIDA
TABLE OF CONTENTS

	<u>Page No.</u>
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	

AUDITOR GENERAL STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the University of South Florida Health Sciences Center Self-Insurance Program, a blended component unit, represent 3.2 percent, 4.6 percent, and 0.8 percent, respectively, of the assets, net position, and revenues reported for the University of South Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units columns. The financial statements for the blended and aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

The Statement of Net Position

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

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

primarily due to the change in the accounting relationship with USFFC, an increase in the GASB Statement No. 68 net pension liability of \$20.8 million, and \$20 million of long term rent revenue received in advance from Tampa General Hospital as discussed in Note 12.

Net position is reported in three major categories. The first category, net investment in capital assets, provides the University's equity in property, plan

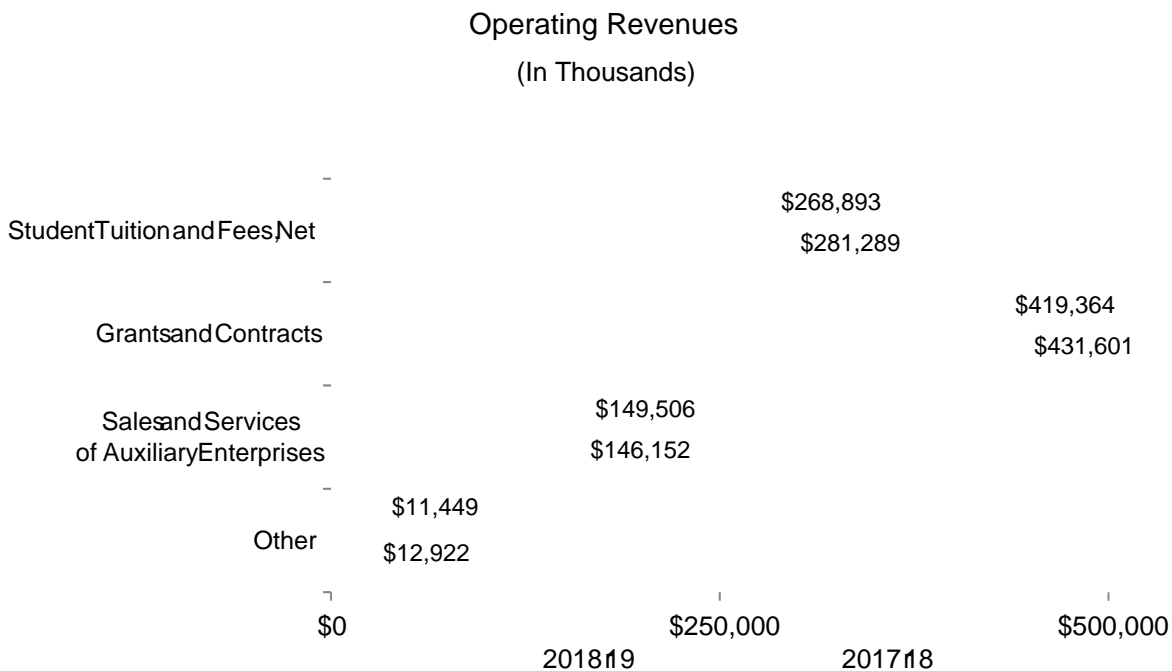
Operating Revenues

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

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

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

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



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

depreciation. The increase in compensation and employee benefits was primarily due to expenses associated with salary and benefit increases as well as new employees. The increase in depreciation was largely due to the increase in property under capital leases and leasehold improvements from the change in the accounting relationship with USF Financing Corporation.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and

Other Revenues
For the Fiscal Years
(In Thousands)

2018-19 2017-18

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

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
--

Capital Assets

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

Capital Assets, Net at June 30		
(In Thousands)		
	2019	2018
Land	\$ 23,649	\$ 23,649
Construction in Progress	164,504	72,438
Buildings	804,681	748,316
Infrastructure and Other Improvements	29,348	29,787
Furniture and Equipment	73,849	62,471
Library Resources	17,992	15,762
Property Under Capital Lease and Leasehold Improvements	163,512	568
Works of Art and Historical Treasures	1,323	1,341
Other Capital Assets	2,876	3,075
Capital Assets, Net	\$1,281,734	\$957,407

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

Capital Expenses and Commitments

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

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

Debt Administration

As of June 30, 2019, the University had \$239.5 million in outstanding capital improvement debt payable, installment purchases payable, and capital leases payable, representing an increase of \$221.2 million, or 1,212.6 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30		
(In Thousands)		
	2019	2018
Capital Improvement Debt	\$ 14,934	\$ 17,473

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

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

June 30, 2019

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

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

UNIVERSITY OF SOUTH FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

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

THIS PAGE INTENTIONALLY LEFT BLANK

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

For the Fiscal Year Ended June 30, 2019

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 271,191,896
Grants and Contracts	420,047,609
Sales and Services of Auxiliary Enterprises	170,525,069
Interest on Loans Receivable	197,967

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (631,594,571)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	71,168,998
Changes in Assets, Liabilities, Deferred Outflows of Resources,	

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

Basis of Presentation . The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as

activities as well as administration, operation and maintenance of capital assets, and depreciation of

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

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

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

2. Reporting Changes

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

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

3. Adjustments to Beginning Net Position

The beginning net position of the University was increased by \$7,806,375 as a result of the change in the accounting relationship with USFFC as discussed in Note 2. Unwinding the conduit relationship decreased net due to/due from USFFC by \$68,519,250, from a \$67,781,069 due to USFFC reported as

debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are

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	\$ 5,507	\$ 5,507	\$ -	-

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

Investments by fair value level	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	5,596,321			

University Debt Investment Maturity and Quality Ratings
Weighted

8. Due From and To Component Units/University

The \$16,571,549 reported as due from component units consists of amounts owed to the University by the University of South Florida Research Foundation, Inc. (\$8,877,824) for grant and special project-related revenue and administrative overhead rebate; from Sun Dome, Inc. (\$308,001) for

Description	Beginning Balance (1)	Adjustments (2)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 23,648,989	\$ -	\$ -	\$ -	\$ 23,648,989
Works of Art and Historical Treasures	1,293,157	-	-	-	1,293,157
Other Capital Assets	1,173,750	-	-	-	1,173,750
Construction in Progress	72,437,886	-	128,201,144	36,134,582	164,504,448
Total Nondepreciable Capital Assets	\$ 98,553,782	\$ -	\$ 128,201,144	\$ 36,134,582	\$ 190,620,344
Depreciable Capital Assets:					

unanimously by an advisory committee which includes two members designated by the University. The University reports cash in the amount of \$959,561, construction in progress in the amount of \$2,315,439, housing facilities with a carrying amount of \$117,059,741, a dining facility fee liability in the amount of \$4,705,288, and deferred inflows of resources in the amount of \$116,510,763 at year-end pursuant to the service concession arrangement.

11. Unearned Revenue

Unearned revenue at June 30, 2019, includes Alec P. Courtelis Matching Trust fund appropriations for

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

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

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

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

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

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

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

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

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
) 2 (d .Change of assumptions or other inputs) 2 (a -		

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

proceeds of the loan were used to finance the acquisition of the University Diagnostic Institute (UDI) Building located in the USF Research Park.

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

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

Mortgage Loan Payable – Schedule of Payments.

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

Fiscal Year Ending June 30	Principal	Interest
----------------------------	-----------	----------

rate and is callable at the option of the USF Financing Corporation on any scheduled payment date at a rate calculated pursuant to the requirements of the loan agreement.

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

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

Series 2018A and 2018B Athletics Notes. On March 9, 2018, the USF Financing Corporation entered into a loan agreement with BB&T Bank to refund the Series 2010A and 2010B Athletics Notes, which were originally issued to finance the acquisition, construction, and equipping of the athletics district

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

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

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

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

Bonds Payable – Schedule of Payments

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

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

Certificates of Participation Payable

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

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

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

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

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

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

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

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

Series 2015A Housing Certificates. The Series 2015A tax-exempt, fixed rate Certificates were issued on May 6, 2015, to refund the Series 2005A Certificates, in advance of the first optional prepayment date of the Series 2005A Certificates on July 1, 2015. The Series 2005A Certificates were originally issued to retire or defease the University's prior housing financings. The Certificates mature in 2023 and are not subject to prepayment at the option of the USF Financing Corporation. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of 0i5.4f2(iv)

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

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

The Series 2019 Housing Refunding Certificates included the principal amount of \$15,510,000 together with the net premium of \$1,052,099, and net of the underwriter's discount of \$43,536, provided net proceeds of \$16,518,564. The proceeds were used to fund an escrow account in an amount necessary to pay the outstanding principal of the Series 2010B Housing Certificates in the amount of \$15,140,000 plus accrued interest until the July 1, 2020 prepayment date. Pursuant to an escrow agreement, dated January 16, 2019, the USF Financing Corporation was discharged from its obligation to the holders of the Series 2010B Certificates. The escrow agent accepted the deposit of net proceeds to be held in an irrevocable escrow fund during the term of the agreement, for the benefit of the Certificate holders, and invested the funds in United States treasury securities with terms necessary to pay the amounts of principal and interest due. As of June 30, 2019, the defeased Series 2010B Certificates were outstanding in the principal amount of \$15,140,000. The advanced refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt oam7-u \$15,14(rtiu)5.4 -1.i

outstanding on any date from March 1, 2018, through February 28, 2019, at 101 percent of the principal amount outstanding on any date from March 1, 2019, through February 29, 2020, and at 100 percent of the principal amount outstanding on any date thereafter. The Series 2003A Athletics Certificates hold a tax-exempt fixed interest rate of 3.82 percent.

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

Series 2012B Housing Certificates

Certificates of Participation Payable – Schedule of Payments

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

Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2020	\$ 3,830,000	\$ 6,294,406	\$ 5,315,000	\$ 4,287,801
2021	4,000,000	6,192,194	5,490,000	4,083,616
2022	4,725,000	6,019,422	5,695,000	3,871,881
2023	4,885,000	5,819,250	5,880,000	3,652,479
2024	5,125,000	5,569,000	5,000,000	3,456,466
2025-2029	31,490,000	23,428,375	27,455,000	14,270,615
2030-2034	40,450,000	14,508,712	32,190,000	8,587,011
2035-2039	25,590,000	5,507,175	27,380,000	2,120,144

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

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

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

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

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. (e form of cas.equire the (t atn58 Tw [(TA of June 30) 2019, whe

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

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

14. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprefireme0dardrt

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26
FRS, Senior Management Service	3.00	24.06
FRS, Special Risk	3.00	24.50
FRS, Plan E	6.25	11.90
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled \$26,352,406 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of \$249,890,497 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined



HIS Pension Plan

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

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the University reported a liability of \$78,751,731 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate

selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2018 valuation was updated from 3.58 percent to 3.87 percent.

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

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

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

15. Retirement Plans – Defined Contribution Pension Plans

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

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

The University's Investment Plan pension expense totaled \$5,580,174 for the fiscal year ended June 30, 2019.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.65 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$27,331,522, and employee contributions totaled \$17,068,046 for the 2018-19 fiscal year.

16. Construction Commitments

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

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

practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

18. University Self-Insurance Program

The University of South Florida Health Sciences Center Self-Insurance Program (Program) and the University of South Florida Health Sciences Center Insurance Company (HSCIC) provide medical professional liability insurance protec

Functional Classification	Amount
Instruction	\$ 409,031,735
Research	323,674,859
Public Services	19,084,447
Academic Support	157,552,733
Student Services	62,160,120
Institutional Support	105,191,038
Operation and Maintenance of Plant	67,680,831
Scholarships, Fellowships, and Waivers	97,140,544
Depreciation	71,168,998
Auxiliary Enterprises	167,892,465

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

	Parking Facilities
Operating Revenues	\$ 14,422,183
Depreciation Expense	(1,642,041)
Other Operating Expenses	(9,156,534)
Operating Income	3,623,608
<small>Operating Revenues (Expenses): (pernu16155069623)891(,)-51.1(6)6.1(,)-11J 24.73.6932TD .0293 Tc O</small>	

Condensed Statement of Net Position

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
<i>Assets:</i>				
Other Current Assets	\$ 12,300,259	\$ 858,091,664	\$ -	\$ 870,391,923
Capital Assets, Net	6,368	1,281,727,280	-	1,281,733,648
Other Noncurrent Assets	58,820,596	25,550,022	-	84,370,618
Total Assets	71,127,223	2,165,368,966	-	2,236,496,189
Deferred Outflows of Resources	-	175,112,728	-	175,112,728
<i>Liabilities:</i>				
Other Current Liabilities	1,461,697	142,562,556	(6,729,943)	(7,100,000)

Condensed Statement of Cash Flows

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

23. Discretely Presented Component Units

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

Condensed Statement of Net Position

	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.
Assets:				
Current Assets	\$ 107,353,588	\$ 730,449	\$ 6,109,985	\$ 2,106,636
Capital Assets, Net	14,641,022	-	17,261,747	

USF Institute of Applied Engineering, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	Total
\$ 15,193	\$ 17,813,534	\$ 38,638,168	\$ 99,790,604	\$ 272,558,157
81,476	42,853,560	5,671,498	54,542,436	135,859,766
-	35,572,522	328,545,265	679,275	910,687,061
96,669	96,239,616	372,854,931.3109	TD [(E)56.1(n0,5-.8(4)442154.8(3)44.7(9 -853,,5)44.7	

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

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

- (1) The USF Financing Corporation's and USF Property Corporation's financial statements were consolidated due to the USF Financing Corporation's ongoing economic interest in the USF Property Corporation and its ability to control the activities of the USF Property Corporation through common boards of directors.
- (2) Beginning Net Position was adjusted as a result of conversions from FASB accounting standards to GASB accounting standards as described in Note 2.

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

24. Consolidation of Institutions

The University of South Florida was legislatively mandated to consolidate its separately accredited institutions into one institution with two remote instructional sites effective July 1, 2012.

Statement of Net Position

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 46,418,431	\$ 2,703,817	\$ 1,529,153	\$ 50,651,401
Investments	640,134,516	40,269,879	22,906,669	703,311,064
Accounts Receivable, Net	63,817,244	3,113,957	350,989	67,282,190
Loans and Notes Receivable, Net	1,919,540	111,101	26,129	2,056,770
Due from State	23,434,235	4,719,647	1,192,648	29,346,530
Due from Component Units	16,554,475	14,046	3,028	16,571,549
Inventories	269,386	-	-	269,386
Other Current Assets	903,033	-	-	903,033
Total Current Assets	793,450,860	50,932,447	26,008,616	870,391,923
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	959,755	11,446	6,838	978,039
Restricted Investments	72,644,507	171,744	102,598	72,918,849
Loans and Notes Receivable, Net	2,237,234	181,271	42,630	2,461,135
Depreciable Capital Assets, Net	950,588,161	113,400,100	27,125,043	1,091,113,304
Nondepreciable Capital Assets	179,954,248	7,892,357	2,773,739	190,620,344
Other Noncurrent Assets	7,944,394	68,201	-	8,012,595
Total Noncurrent Assets	1,214,328,299	121,725,119	30,050,848	1,366,104,266
Total Assets	2,007,779,159	172,657,566	56,059,464	2,236,496,189
DEFERRED OUTFLOWS OF RESOURCES				
Other Postemployment Benefits	9,024,872	573,153	268,975	9,867,000
Pensions	151,142,358	9,598,772	4,504,598	165,245,728
Total Deferred Outflows of Resources	160,167,230	10,171,925	4,773,573	175,112,728
LIABILITIES				
Current Liabilities:				
Accounts Payable	21,455,355	945,931	144,450	22,545,736
Construction Contracts Payable	13,921,573	17,371	-	13,938,944
Salary and Wages Payable	35,710,378	1,910,259	787,199	38,407,836
Deposits Payable	4,454,190	71,274	6,504	4,531,968
Due to Component Units	3,033,324	993,606	-	4,026,930
Unearned Revenue	31,340,725	57,281	26,734	31,424,740
Long-Term Liabilities - Current Portion:				
Capital Improvement Debt Payable	2,598,479	-	-	2,598,479
Installment Purchases Payable	113,888	-	-	113,888

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
Liabilities (Continued)				
Noncurrent Liabilities:				
Capital Improvement Debt Payable	\$ 12,335,875	\$ -	\$ -	\$ 12,335,875
Installment Purchases Payable	75,361	-	-	75,361
Capital Leases Payable	179,195,062	35,113,298	-	214,308,360
Estimated Insurance Claims Payable	27,957,375	-	-	27,957,375
Compensated Absences Payable	76,663,161	3,648,888	1,495,178	81,807,227
Federal Advance Payable	2,589,451	212,306	48,425	2,850,182
Dining Facility Payable	20(e)-15693.8(20(e)-15693 Tc-0 Tw [()14189 Tcn.8-Tc 0 56.284)7.1()7.1()7.1()7.1()			

Statement of Revenues, Expenses, and Changes in Net Position

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
REVENUES				
Operating Revenues:				
Student Tuition and Fees, Net of				
Scholarship Allowances	\$ 237,577,192	\$ 20,328,379	\$ 10,987,816	\$ 268,893,387
Federal Grants and Contracts	206,981,153	3,257,641	-	210,238,794
State and Local Grants and Contracts	27,353,908	2,762,402	-	30,116,310
Nongovernmental Grants and Contracts	178,535,836	465,234	7,948	178

THIS PAGE INTENTIONALLY LEFT BLANK

Statement of Cash Flows

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
CASH FLOWS FROM OPERATING ACTIVITIES				
Student Tuition and Fees, Net	\$ 239,525,996	\$ 20,606,802	\$ 11,059,098	\$ 271,191,896
Grants and Contracts	414,808,483	5,198,753	40,373	420,047,609
Sales and Services of Auxiliary Enterprises	160,324,987	9,563,603	636,479	170,525,069
Interest on Loans and Notes Receivable	197,967	-	-	197,967
Payments to Employees	(848,874,796)	(51,562,092)	(23,056,651)	(923,493,539)
Payments to Suppliers for Goods and Services	(322,731,327)	(21,329,931)	(5,881,968)	(349,943,226)
Payments to Students for Scholarships and Fellowships	(84,032,222)	(9,244,789)	(3,863,533)	(97,140,544)
Payments on Self-Insurance Claims and Expenses	(2,463,920)	-	-	(2,463,920)
Loans Issued to Students	(409,728)	-	-	(409,728)
Collection on Loans to Students	997,019	-	-	997,019
Other Operating Receipts	13,314,341	872	-	13,315,213
Net Cash Used by Operating Activities				

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
RECONCILIATION OF OPERATING LOSS LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	\$ (554,338,722)	\$ (53,584,477)	\$ (23,671,372)	\$ (631,594,571)
Adjustments to Reconcile Operating Loss to Net Cash used by Operating Activities:				
Depreciation Expense	64,161,685	5,682,842		92.7(D)0()-22.3(P)6

Statement of Current Unrestricted Funds Net Position

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 35,655,819	\$ 2,713,102	\$ 1,315,634	\$ 39,684,555
Investments	539,440,372	40,269,879	19,808,624	599,518,875
Accounts Receivable, Net	10,755,441	1,061,498	305,675	12,122,614
Due from Component Units	6,804,970	3,890	-	6,808,860
Inventories	269,385	-	-	269,385
Other Current Assets	126,208	-	-	126,208
TOTAL ASSETS	593,052,195	44,048,369	21,429,933	658,530,497
DEFERRED OUTFLOWS OF RESOURCES				
Other Postemployment B30, eeeeeem73(em)- 32929				21,429,933

Statement of Current Unrestricted Funds Revenues,
Expenses, and Changes in Net Position

	USF Tampa	USF St. Petersburg	USF Sarasota- Manatee	Total USF System
REVENUES				
Operating Revenues:				
Student Tuition and Fees (1)	\$ 343,483,878	\$ 24,359,632	\$ 12,353,049	\$ 380,196,559

25. Subsequent Events

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
University's proportion of the total other postemployment benefits liability	4.13%	4.13%	4.07%
University's proportionate share of the total other postemployment benefits liability	\$ 435,779,000	\$ 446,394,000	\$ 480,770,000
University's covered-employee payroll	\$ 539,620,556	\$ 512,542,210	\$ 490,228,479
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	80.76%	87.09%	98.07%

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

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

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

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

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

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

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

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

<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 18,634,771	\$ 15,737,677
<u>(18,634,771)</u>	<u>(15,737,677)</u>
\$ _____ =	\$ _____ =
\$ 466,345,909	\$ 443,554,247
4.00%	3.55%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.10 percent to 7.00 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 3.58 percent to 3.87 percent.

AUDITOR GENERAL STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of South

