

UNIVERSITY OF SOUTH FLORIDA

Financial Audit



BOARD OF T

**UNIVERSITY OF SOUTH FLORIDA
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements 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, 2014. 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

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

**AUDITOR GENERAL
STATE OF FLORIDA**

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

Opinions

Other Matter

Required Supplementary Information

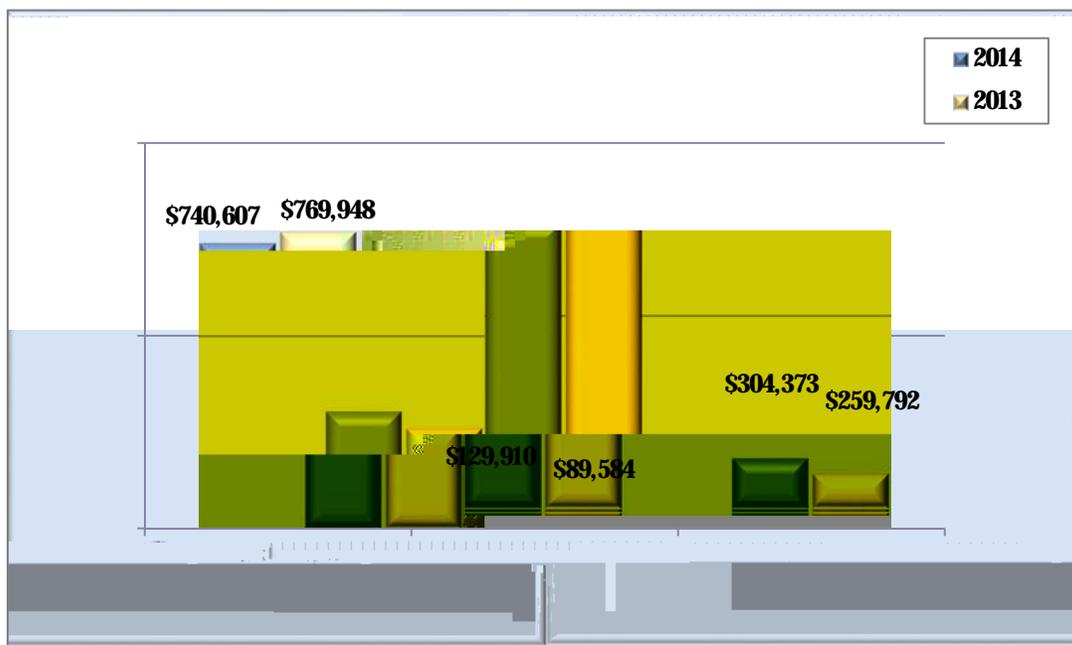
**MANAGEMENT'S
DISCUSSION AND ANALYSIS SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT
BENEFITS PLAN NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Other Reporting Required by *Government Auditing Standards*

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

**Net Position
(In Thousands)**



Total Revenues

2013-1N

THE STATEMENT OF NET POSITION**Condensed Statement of Net Position at June 30
(In Thousands)**

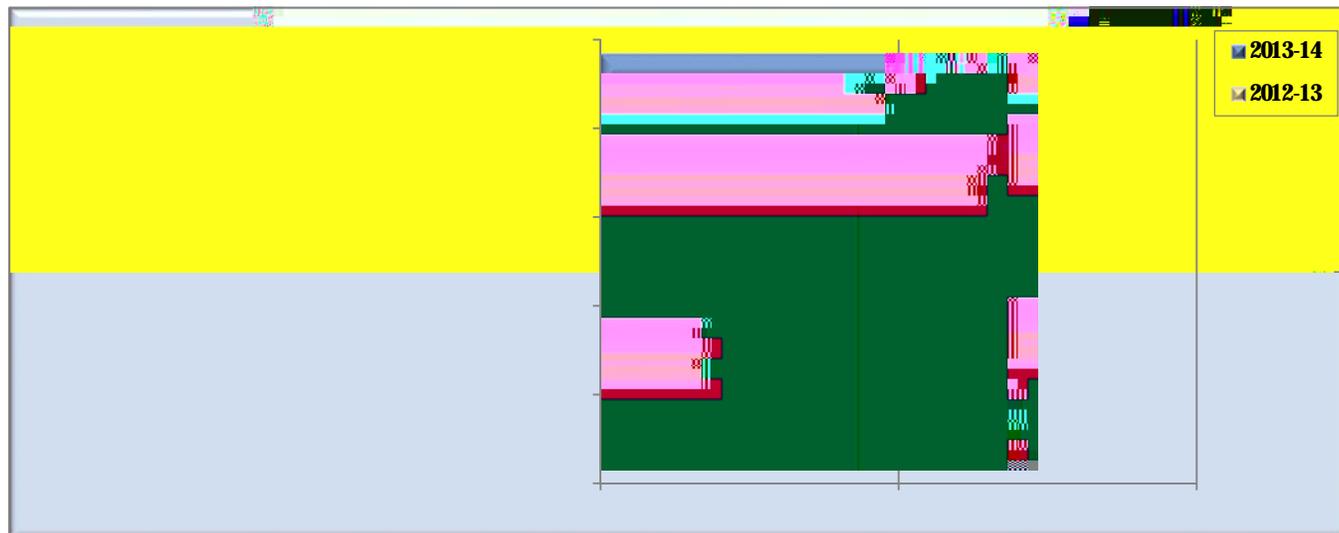
	<u>2014</u>	<u>2013</u>
Assets		
Current Assets	\$ 667,188	\$ 524,010
Capital Assets, Net	798,818	836,909
Other Noncurrent Assets	48,550	46,133
Total Assets	<u>1,514,556</u>	<u>1,407,052</u>
Liabilities		
Current Liabilities	154,422	126,024
Noncurrent Liabilities	185,244	161,704
Total Liabilities	<u>339,666</u>	<u>287,728</u>
Net Position		
Net Investment in Capital Assets	740,607	769,948
Restricted	129,910	89,584
Unrestricted	304,373	259,792
Total Net Position	<u>\$ 1,174,890</u>	<u>\$ 1,119,324</u>

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

2013-14 2012-13

**Operating Revenues
(In Thousands)**



Operating Expenses

**Operating Expenses
For the Fiscal Years
(In Thousands)**

	2013-14	2012-13
Compensation and Employee Benefits	\$ 746,049	\$ 698,128
Services and Supplies	216,966	233,135
Utilities and Communications	26,134	26,085
Scholarships, Fellowships, and Waivers	83,627	83,965
Depreciation	50,689	52,280
Self-Insurance Claims	2,419	505
Total Operating Expenses	\$ 1,125,884	\$ 1,094,098

**Operating Expenses
(In Thousands)**

Nonoperating Revenues and Expenses

Other Revenues, Expenses, Gains, or Losses

**Other Revenues, Expenses, Gains, or Losses
(In Thousands)**

**Condensed Statement of Cash Flows
(In Thousands)**

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$ (327,223)	\$ (362,952)
Noncapital Financing Activities	404,456	334,468
Capital and Related Financing Activities	3,698	(43,696)
Investing Activities	(93,865)	78,647
	<u>(12,934)</u>	<u>6,467</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(12,934)	6,467
Cash and Cash Equivalents, Beginning of Year	60,907	54,440
	<u>60,907</u>	<u>54,440</u>
Cash and Cash Equivalents, End of Year	\$ 47,973	\$ 60,907

Capital Assets, Net at June 30
(In Thousands)

	2014	2013
Land	\$ 14,785	\$ 14,785
Construction in Progress	13,323	3,258
Buildings	662,512	703,180
Infrastructure and Other Improvements	36,773	43,333
Furniture and Equipment	59,343	61,143
Library Resources	4,852	3,811
Property Under Capital Leases	191	
Works of Art and Historical Treasures	1,236	1,235
Other Capital Assets	5,803	6,164
Capital Assets, Net	\$ 798,818	\$ 836,909

CAPITAL EXPENSES AND COMMITMENTS

	Amount (In Thousands)
Total Committed	\$ 64,493
Completed to Date	(13,323)
Balance Committed	\$ 51,170

DEBT ADMINISTRATION

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

REQUESTS FOR INFORMATION

BASIC FINANCIAL STATEMENTS

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	47,641,897	

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$	\$ 91,042,090
Certificates of Participation Payable		303,409,086
Capital Improvement Debt Payable	25,168,629	
Loans and Notes Payable		1,007,064
Installment Purchases Payable		1,471,460

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 265,234,393
Grants and Contracts	328,594,651
Sales and Services of Educational Departments	58,849
Sales and Services of Auxiliary Enterprises	111,552,055
Interest on Loans and Notes Receivable	216,553
Payments to Employees	(716,028,723)
Payments to Suppliers for Goods and Services	(241,166,632)
Payments to Students for Scholarships and Fellowships	(83,626,791)
Payments on Self-Insurance Claims and Expenses	(1,447,898)
Loans Issued to Students	(2,354,080)
Collection on Loans to Students	2,421,099
Other Operating Receipts	9,323,766
Net Cash Used by Operating Activities	

**RECONCILIATION OF OPERATING LOSS
TO NET CASH USED BY OPERATING ACTIVITIES**
Operating Loss

University

\$ (409,581,269)

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Codification of Governmental Accounting and Financial Reporting Standards

Blended Component Unit

Discretely Presented Component Units

Direct-Support Organizations.

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Basis of Accounting

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting

Cash and Cash Equivalents

Capital Assets

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Noncurrent Liabilities

2. INVESTMENTS

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Investment Type	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation	University Medical Service Association, Inc.	USF Health Professions Conferencing Corporation	Total
Bonds a s]							

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Investment Type	Weighted Average Maturities	Moody's	Standard & Poor's	Fair Value
United States Treasury Securities (2)	2.54 Years	(1)	(1)	\$ 11,738,752

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Investment Type	University of South Florida Research Foundation, Inc.				
	Fair Value	Quality Ratings (1)			Less Than A or Not Rated
	AAA	AA	A		
Mutual Funds:					
Bonds	\$ 8,442,465	\$ 279,195	\$ 605,886	\$ 2,498,712	\$ 5,058,672
Money Market	1,344,180	1,034,547			309,633
Total	\$ 9,786,645	\$ 1,313,742	\$ 605,886	\$ 2,498,712	\$ 5,368,305

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

Custodial Credit Risk:

Concentration of Credit Risk:

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Loans and Notes Receivable

Allowance for Doubtful Receivables

4. DUE FROM STATE

5. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

9. LONG-TERM LIABILITIES

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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UNIVERSITY OF SOUTH FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Compensated Absences Payable

Federal Advance Payable

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

**UNIVERSITY OF SOUTH FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Certificates of Participation Series 2005A and Series 2012A (refunded Series 2005B Certificates).

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Certificates of Participation Series 2012B (refunded Series 2007 Certificates - Housing)

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Certificates of Participation 2013B (refunded Series 2007 Certificates - Health)

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Florida Retirement System, Plan E	6.25	11.44
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

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

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

12. CONSTRUCTION COMMITMENTS

Project Description	Total Committed	Completed to Date	Balance Committed
USF Health Heart Institute	\$ 19,393,118	\$ 1,503,333	\$ 17,889,785
USF St. Petersburg College of Business	5,000,000	10,034	4,989,966
USF Health Student Wellness Center	4,695,337		4,695,337
Subtotal	29,088,455	1,513,367	27,575,088
Other Projects (1)	35,404,240	11,809,463	23,594,777
Total	\$ 64,492,695	\$ 13,322,830	\$ 51,169,865

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

University Self-Insurance Program

Fiscal Year	Claims Liabilities Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Liabilities End Of Year
2012-13	\$ 18,367,327	\$ 505,445	\$ (833,814)	\$ 18,038,958
2013-14	18,038,958	2,419,350	(1,447,898)	19,010,410

14. LITIGATION

15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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

	Parking Facility Capital Improvement Debt
Operating Revenues	\$ 13,678,761
Depreciation Expense	(1,547,728)
Other Operating Expenses	<u>(8,576,268)</u>
Operating Income	<u>3,554,765</u>
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	103,824
Interest Expense	(1,284,847)
Other Nonoperating Expense	<u>(179,340)</u>
Net Nonoperating Expenses	<u>(1,360,363)</u>
Increase in Net Position	2,194,402
Net Position, Beginning of Year	<u>32,153,323</u>
Net Position, End of Year	<u><u>\$ 34,347,725</u></u>

Condensed Statement of Cash Flows

	Parking Facility Capital Improvement Debt
Net Cash Provided (Used) by:	
Operating Activities	\$ 5,058,618
Capital and Related Financing Activities	(3,883,469)
Investing Activities	<u>(961,179)</u>
Net Increase in Cash and Cash Equivalents	213,970
Cash and Cash Equivalents, Beginning of Year	<u>3,084,635</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 3,298,605</u></u>

17. DEFICIT NET POSITION – COMPONENT UNITS

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

18. BLENDED COMPONENT UNIT

	Medical Professional Liability Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Current Assets	\$ 6,751,165	\$ 660,436,596	\$	\$ 667,187,761

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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19. DISCRETELY PRESENTED COMPONENT UNITS

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

UNIVERSITY OF SOUTH FLORIDA

**UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

20. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, which establishes accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current

UNIVERSITY OF SOUTH FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

21. SUBSEQUENT EVENTS

**UNIVERSITY OF SOUTH FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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**UNIVERSITY OF SOUTH FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

AUDITOR GENERAL STATE OF FLORIDA

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

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

Report on the Financial Statements

Government Auditing Standards

AUDITOR'S REPORT

INDEPENDENT

Internal Control Over Financial Reporting

deficiency in internal control

Compliance and Other Matters

Government Auditing Standards

Purpose of this Report

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

Government

Auditing Standards

