STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2023-069
December 2022

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2022

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2021-22 fiscal year, Ms. Rhea Law served as President of the University of South Florida from August 2, 2021, Dr. Steven C. Currall served as President before that date, and the following individuals served as Members of the Board of Trustees:

[a] System Faculty Council President (equivalent to Faculty Senate Chair referred to in Section 1001.71(1), Florida Statutes).

[b] Student Body President.

[c] Trustee position vacant from 6-16-22 through 6-30-22.

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 Saleemah R. Reshamwala, and the audit was supervised by Rachel P. Sellers, CPA.

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

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UNIVERSITY OF SOUTH FLORIDA

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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time,
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the University of South Florida and of its aggregate discretely presented component units as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3.5 percent, 2.6 percent, 6.1 percent, and 0.3 percent, respectively, of the assets, liabilities, net position, and revenues reported for the University of South Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing*

Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the University adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*, which is a change in accounting principle that addresses accounting and financial reporting for leases. This affects the comparability of amounts reported for the 2021-22 fiscal year with amounts reported for the 2020-21 fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such

procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022, on our consideration of the University of South Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of South Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
December 15, 2022

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, 2022, 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, 2022, and June 30, 2021.

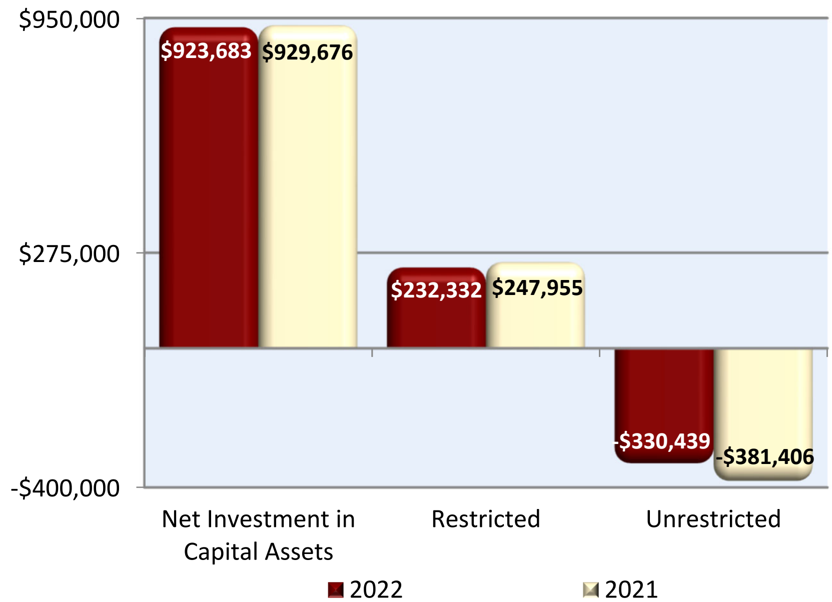
FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled $2.6 billion at June 30, 2022. This balance reflects a $14 million, or 0.5 percent, increase as compared to the 2020-21 fiscal year, resulting from increases in cash and investments as well as nondepreciable capital assets, partially offset by decreases in deferred outflows related to pensions and other postemployment benefits (OPEB). While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources decreased by $15.4 million, or 0.8 percent, totaling $1.8 billion at June 30, 2022, resulting from a decrease in the net pension liability, partially offset by increases in deferred inflows related to pensions, OPEB payable, right-to-use leases payable, and accounts payable. As a result, the University's net position increased by $29.4 million, resulting in a year-end balance of $825.6 million.

The University's operating revenues totaled $894.2 million for the 2021-22 fiscal year, representing a 12.4 percent increase compared to the 2020-21 fiscal year due mainly to increases in sales and services of auxiliary enterprises, net student tuition and fees, and grants and contracts. Operating expenses totaled $1.53 billion for the 2021-22 fiscal year, representing an increase of 0.6 percent as compared to the 2020-21 fiscal year due mainly to increases in services and supplies and scholarships, fellowships, and waivers, partially offset by a decrease in compensation and employee benefits.

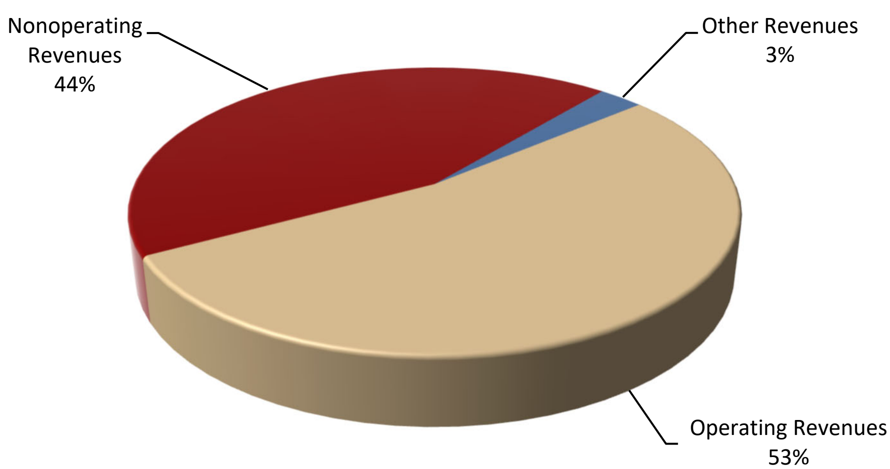
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2022, and June 30, 2021, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2021-22 fiscal year:

Total Revenues
2021-22 Fiscal Year



OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2022	2021
Assets		
Current Assets	$ 950,529	$ 916,757
Capital Assets, Net	1,316,570	1,286,404
Other Noncurrent Assets	102,174	87,995
Total Assets	2,369,273	2,291,156
Deferred Outflows of Resources	276,917	341,078
Liabilities		
Current Liabilities	189,852	147,743
Noncurrent Liabilities	1,063,239	1,334,705
Total Liabilities	1,253,091	1,482,448
Deferred Inflows of Resources	567,523	353,561
Net Position		
Net Investment in Capital Assets	923,683	929,676
Restricted	232,332	247,955
Unrestricted	(330,439)	(381,406)
Total Net Position	$ 825,576	$ 796,225

Current assets for the University increased $33.8 million between the two fiscal years due to a $44.2 million increase in current cash and investments, primarily resulting from an increase in sales and services of auxiliary enterprises.

Net capital assets increased $30.2 million due to an increase in construction in progress ($56.2 million), largely from work completed on the Judy Genshaft Honors College, USF Wellness Center Complex, and USF Indoor Performance Facility.

Other noncurrent assets increased $14.2 million due to an increase in restricted cash and investments from unspent proceeds from the installment purchase obligation for the Siemens energy savings equipment project, and funding received in the 2021-22 fiscal year for the Judy Genshaft Honors College Project.

Deferred outflows of resources decreased $64.2 million, primarily related to pensions ($50 million) and due to the amortization of prior year deferred outflows and differences between projected and actual investment earnings.

Current liabilities increased $42.1 million, the most significant contributor to which was an $18.8 million increase in accounts payable. The increase in accounts payable was primarily due to a $16.8 million accrual for Medicaid payments to the Agency for Health Care Administration. Other factors contributing to the increase in current liabilities were increases in construction contracts payable ($7.3 million), due to component units ($5.6 million), unearned revenue ($2.1 million), and the current portions of right-to-use leases payable ($4.8 million), compensated absences payable ($2.3 million), and OPEB Payable ($1.1 million).

Noncurrent liabilities decreased $271.5 million due to a $295.1 million decrease in the noncurrent portion of the net pension liability. The decrease in the net pension liability was primarily due to actual investment performance of 29.5 percent versus the long-term annual investment return assumption of 6.8 percent for the Florida Retirement system (FRS) Pension Plan. As a result, the funded status of the plan increased from 78.85 percent to 96.4 percent. Further contributing to the decrease in noncurrent liabilities was the reclassification of $18.5 million of noncurrent revenue received in advance to deferred inflows from leases due to the implementation of GASB Statement No. 87. These decreases were partially offset by a $24.3 million increase in the noncurrent portion of right-to-use leases payable and a $23.3 million increase in the noncurrent portion of OPEB Payable. The increase in right-to-use leases payable was due to the implementation of GASB Statement No. 87, and the increase in OPEB Payable was the result of a change in the discount rate from 2.66 percent to 2.18 percent as well as an increase in the University's proportionate share of the liability.

Deferred inflows of resources increased $214 million due to a $213.6 million increase in deferred inflows related to pensions, primarily as a result of greater than projected investment earnings in the FRS pension plan. Deferred inflows from leases also increased $24.3 million due to the implementation of GASB Statement No. 87. That increase was largely offset by a $21.3 million decrease in deferred inflows related to OPEB as the amortization of prior year deferred inflows to OPEB expense exceeded the current year deferred inflows due to changes in assumptions.

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

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

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

The following summarizes the University's activity for the 2021-22 and 2020-21 fiscal years:

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

(In Thousands)

	2021-22	2020-21
Operating Revenues	$ 894,157	$ 795,363
Less, Operating Expenses	1,533,588	1,524,073
Operating Loss	(639,431)	(728,710)
Net Nonoperating Revenues	621,450	687,754
Loss Before Other Revenues	(17,981)	(40,956)
Other Revenues	47,332	17,575
Net Increase (Decrease) In Net Position	29,351	(23,381)
Net Position, Beginning of Year	796,225	819,606
Net Position, End of Year	$ 825,576	$ 796,225

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 2021-22 and 2020-21 fiscal years:

Operating Revenues
For the Fiscal Years

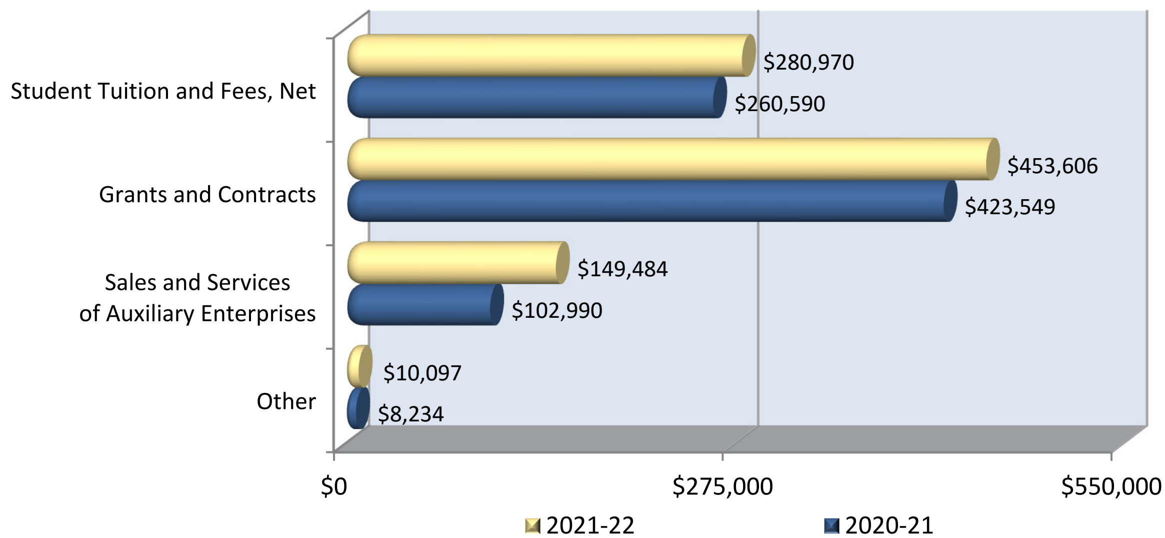
(In Thousands)

	2021-22	2020-21
Student Tuition and Fees, Net	$ 280,970	$ 260,590
Grants and Contracts	453,606	423,549
Sales and Services of Auxiliary Enterprises	149,484	102,990
Other	10,097	8,234
Total Operating Revenues	$ 894,157	$ 795,363

The following chart presents the University's operating revenues for the 2021-22 and 2020-21 fiscal years:

Operating Revenues

(In Thousands)



University operating revenues increased by $98.8 million, or 12.4 percent. Net student tuition and fees increased by $20.4 million due to a $10.6 million increase in gross student tuition and fees and a $9.8 million decrease in scholarship allowances. Gross tuition and fees increased primarily as a result of increases in revenue from out-of-state tuition and self-funded fees. Scholarship allowances decreased as a result of decreases in University resources provided as financial aid, which coincide with a significant increase in financial aid provided by Federal Higher Education Emergency Relief Funds (HEERF). Grants and contracts increased by $30.1 million as a result of increases in Federal grants and contracts ($16.6 million), State grants and contracts ($4.4 million), and nongovernmental grants and contracts ($9.1 million). Sales and services of auxiliary enterprises increased by $46.5 million as recovery from the impacts of the COVID-19 pandemic was reflected by increases in housing ($18.2 million), dining ($16.2 million), athletics ($4.4 million), Education Abroad and the English Language Program ($3.1 million), and parking ($2.8 million).

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2021-22 and 2020-21 fiscal years:

Operating Expenses
For the Fiscal Years

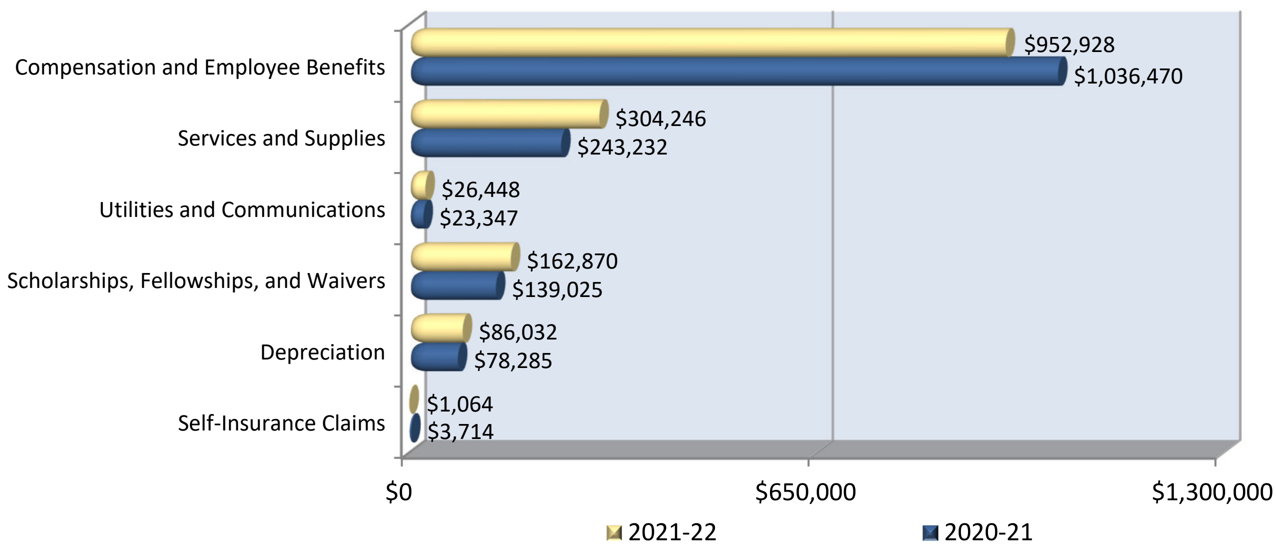
(In Thousands)

	2021-22	2020-21
Compensation and Employee Benefits	$ 952,928	$ 1,036,470
Services and Supplies	304,246	243,232
Utilities and Communications	26,448	23,347
Scholarships, Fellowships, and Waivers	162,870	139,025
Depreciation	86,032	78,285
Self-Insurance Claims	1,064	3,714
Total Operating Expenses	$ 1,533,588	$ 1,524,073

The following chart presents the University's operating expenses for the 2021-22 and 2020-21 fiscal years:

Operating Expenses

(In Thousands)



Total operating expenses increased by $9.5 million, or 0.6 percent, resulting primarily from increases in services and supplies ($61 million) and scholarships, fellowships, and waivers ($23.8 million), partially offset by a $83.5 million decrease in compensation and employee benefits. The increase in services and supplies was primarily due to increases in grants subcontracts ($11.5 million), dining services ($11.2 million), travel ($9.9 million), minor renovations and building maintenance ($9.8 million), library resources ($4.2 million), computer equipment ($2.9 million), medical supplies and equipment ($1.8 million), classroom furniture ($1 million), program expenses ($2 million), advertising ($1.6 million), and educational and training services ($1.4 million). The increase in scholarships, fellowships, and waivers was primarily due to an increase in Federal HEERF aid ($20.6 million). The decrease in compensation and employee benefits was due to an $82.3 million decrease in the expense component of GASB Statement No. 68 pension accounting, primarily resulting from greater than projected investment earnings of the FRS pension plan.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2021-22 and 2020-21 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
State Noncapital Appropriations	$ 437,920	$ 437,246
Federal and State Student Financial Aid	207,653	182,340
Noncapital Grants and Donations	86,694	68,565
Investment Income (Loss)	(46,997)	36,313
Other Nonoperating Revenues	4,780	2,602
Loss on Disposal of Capital Assets	(401)	(794)
Interest on Capital Asset-Related Debt	(11,962)	(11,569)
Other Nonoperating Expenses	(56,237)	(26,949)
Net Nonoperating Revenues	$ 621,450	$ 687,754

Total net nonoperating revenues decreased by $66.3 million, or 9.6 percent. The major components of this decrease were a decline in investment income ($83.3 million), and an increase in other nonoperating expenses ($29.3 million). The decrease in investment income was due to increases in unrealized losses in bond mutual funds ($38.4 million), equity mutual funds ($30.5 million), and University of South Florida Health Sciences Center Self-Insurance Program investments ($14.4 million). The increase in other nonoperating expenses was due to increases in transfers to the University Medical Service Association, Inc. (UMSA) of HEERF institutional funds for revenue losses related to COVID-19 ($14.7 million) and for Graduate Medical Education ($6.2 million) as well as an increase in net transfers to USF Financing Corporation related to Tampa student housing revenues ($2.5 million) and the 2020-21 fiscal year transfers in of Osprey Suites residence hall building improvement ($3.8 million). These components of the decrease in net nonoperating revenues were partially offset by increases in Federal and State student financial aid ($25.3 million) and noncapital grants and donations ($18.1 million). The increase in Federal and State student financial aid was from an increase in Federal HEERF student aid. The increase in noncapital grants and donations was primarily due to an increase in Federal HEERF institutional aid ($16.3 million).

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2021-22 and 2020-21 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2021-22	**2020-21**
State Capital Appropriations	$ 14,751	$ 7,330
Capital Grants, Contracts, Donations, and Fees	32,581	10,245
Total	$ 47,332	$ 17,575

Total other revenues increased by $29.8 million, or 169.3 percent. This increase was largely due to a $22.3 million increase in capital grants, contracts, donations and fees from increases in transfers from USF Foundation to support the construction of the USF Indoor Performance Facility ($10.9 million), the Judy Genshaft Honors College ($9.7 million), and the football reception upgrade ($2.5 million). A $7.4 million increase in State capital appropriations comprised the remainder of the increase in total other revenues.

The Statement of Cash Flows

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

The following summarizes cash flows for the 2021-22 and 2020-21 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2021-22	**2020-21**
Cash Provided (Used) by:		
Operating Activities	$ (580,230)	$ (560,065)
Noncapital Financing Activities	720,030	676,358
Capital and Related Financing Activities	(34,735)	(62,199)
Investing Activities	(81,198)	(51,439)
Net Increase in Cash and Cash Equivalents	23,867	2,655
Cash and Cash Equivalents, Beginning of Year	70,363	67,708
Cash and Cash Equivalents, End of Year	$ 94,230	$ 70,363

Major sources of funds came from State noncapital appropriations ($437.9 million), Federal Direct Student Loan receipts ($187.6 million), net student tuition and fees ($281.1 million), grants and contracts ($435.9 million), sales and services of auxiliary enterprises ($148.2 million), Federal and State financial aid ($207.7 million), and noncapital grants, contracts and donations ($102 million). Major uses of funds were for payments made to and on behalf of employees totaling $964.5 million, payments to suppliers totaling $328.5 million, disbursements to students for Federal Direct Student Loans totaling $187.6 million, payments to and on behalf of students for scholarships totaling $162.9 million.

Net cash used by operating activities increased by $20.2 million. Significant changes in major sources and uses of cash within operating activities were a $20.3 million increase in cash provided by student tuition and fees, a $47.7 million increase in cash provided by sales and services of auxiliary enterprises, a $25.1 million increase in payments to employees, a $60.8 million increase in payments to suppliers for goods and services, and a $23.8 million increase in payments to students for scholarships and fellowships. The increase in cash provided by student tuition and fees was due to increases in revenue from out-of-state tuition and self-funded fees as well as decreases in University resources provided as financial aid. The increase in cash provided by sales and services of auxiliary enterprises was due to recovery from the impact of the COVID-19 pandemic, especially on revenues from housing, dining, athletics, Education Abroad and the English Language Program, and parking. The increase in payments to employees was driven by increases in administrative, faculty, and temporary wages and associated benefits. The major factors in the increase in payments to suppliers were increases in grants subcontracts, dining services, travel, minor renovations and building maintenance, library resources, computer equipment, medical supplies and equipment, classroom furniture, program expenses, advertising, and education and training services. An increase in Federal HEERF aid was primarily responsible for the increase in payments to students for scholarships and fellowships.

Net cash provided by noncapital financing activities increased by $43.7 million. Significant contributors to this increase were a $25.3 million increase in cash provided by Federal and State student financial aid and a $41.7 million increase in cash provided by noncapital grants, contracts and donations, partially offset by a $13 million decrease in cash provided by operating subsidies and transfers and a $10.8 million increase in cash used by other nonoperating disbursements. Federal HEERF aid was responsible for both the increase in cash provided by Federal and State student financial aid and the increase in cash provided by noncapital grants, contracts and donations. Cash provided by operating subsidies and transfers decreased primarily as a result of elevated 2020-21 fiscal year UMSA convenience fund transfers in to bring 2019-20 fiscal year deficits current. Cash used for other nonoperating disbursements increased largely due to increases in transfers to UMSA of HEERF institutional funds for revenue losses related to COVID-19 and for Graduate Medical Education as well as an increase in net transfers to USF Financing Corporation related to Tampa student housing revenues, partially offset by a decrease in transfers to the Agency for Health Care Administration for Medicaid payments. An increase in transfers to Sun Dome, Inc. for arena operating expenses further contributed to the increase in cash used for other nonoperating disbursements.

Net cash used by capital and related financing activities decreased by $27.5 million. Significant components of this decrease were a $35.3 million increase in cash provided by capital grants, contracts, donations, and fees and a $10 million increase in cash provided by State capital appropriations, partially offset by a $21.5 million increase in cash used for the purchase or construction of capital assets. The increase in cash provided by capital grants, contracts, donations, and fees was due to increased cash transfers from the USF Foundation to support the construction of the Judy Genshaft Honors College, the

USF Indoor Performance Facility, and the football reception upgrade. Funding received for the USF Wellness Center Complex was primarily responsible for the increase in cash provided by State capital appropriations. The increase in cash used for the purchase or construction of capital assets is from work completed on the Judy Genshaft Honors College, USF Wellness Center Complex, and the USF Indoor Performance Facility.

Net cash used by investing activities increased by $29.8 million due to a $74.9 million decrease in proceeds from sales and maturities of investments and a $22.7 million decrease in cash provided by investment income, partially offset by a $67.9 million decrease in purchases of investments. The decrease in proceeds was due to the 2020-21 fiscal year sale of bond mutual fund positions with no comparable sales made during the 2021-22 fiscal year. The decrease in cash provided by investment income was due to decreased bond mutual fund and University of South Florida Health Sciences Center Self-Insurance Program investment performance. The decrease in purchases of investments was primarily due to the significant restoration of the money market mutual fund position that occurred during the 2020-21 fiscal year following the reduction of that position in the 2019-20 fiscal year. In addition, $50 million of bond mutual funds were purchased in the 2021-22 fiscal year versus the purchase of $80 million of equity mutual funds in the 2020-21 fiscal year.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the University had $2.4 billion in capital assets, less accumulated depreciation of $1.04 billion, for net capital assets of $1.3 billion. Depreciation charges for the current fiscal year totaled $86 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)

	2022	2021
Land	$ 21,931	$ 21,411
Construction in Progress	82,006	25,791
Buildings	1,050,093	935,796
Infrastructure and Other Improvements	38,669	38,720
Furniture and Equipment	74,570	74,058
Library Resources	17,155	18,334
Property Under Capital Lease and Leasehold Improvements	-	169,229
Works of Art and Historical Treasures	1,200	1,221
Other Capital Assets	1,809	1,844
Right-to-Use Leased Assets	29,137	-
Capital Assets, Net	$1,316,570	$1,286,404

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, 2022, are as follows:

	Amount (In Thousands)
Total Committed	$ 204,819
Completed to Date	(82,006)
Balance Committed	$ 122,813

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

Debt Administration

As of June 30, 2022, the University had $268 million in outstanding capital improvement debt payable, installment purchases payable, and right-to-use leases payable, representing an increase of $24.6 million, or 10.1 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)

	2022	2021
Capital Improvement Debt	$ 6,979	$ 9,682
Installment Purchases	231,872	521
Capital Leases	-	233,208
Right-to-Use Leases	29,141	-
Total	$ 267,992	$ 243,411

Additional information about the University's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. The budget that the Florida Legislature adopted for the 2022-23 fiscal year provided a 7.7 percent increase for State universities. The budget incorporated an increase of $68,196,600 in recurring Education and General funding for the University of South Florida. In addition to State funding, the University receives significant operating revenues from other sources, including tuition and fees, auxiliary operations and grants and contracts. These operating revenues mitigate State economic dependency through diversification.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Jennifer Condon, Vice President of Business & Finance, Deputy Chief Financial Officer and Controller, University of South Florida, 4202 East Fowler Avenue, CGS301, Tampa, Florida 33620-5800.

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

June 30, 2022

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 92,732,506	$ 41,008,423
Investments	697,486,829	156,453,921
Accounts Receivable, Net	98,852,977	114,345,560
Loans, Leases and Notes Receivable, Net	1,378,561	6,210,024
Leases Receivable from University	-	4,340,344
Due from State	28,983,373	-
Due from University	-	5,563,445
Due from Component Units	30,754,850	439,587
Inventories	241,126	1,175,183
Other Current Assets	98,851	20,950,829
Total Current Assets	950,529,073	350,487,316
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,497,893	8,141,535
Restricted Investments	90,173,422	703,997,566
Loans, Leases and Notes Receivable, Net	7,114,946	51,768,806
Leases Receivable from University	-	22,916,538
Depreciable Capital Assets, Net	1,181,371,752	125,761,523
Nondepreciable Capital Assets	106,061,508	22,504,148
Right-to-Use Leases, Net	29,137,175	16,208,662
Other Noncurrent Assets	3,387,821	332,587,910
Total Noncurrent Assets	1,418,744,517	1,283,886,688
Total Assets	2,369,273,590	1,634,374,004
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	168,608,941	-
Pensions	108,307,785	-
Interest Rate Swap Agreement	-	6,413,863
Deferred Loss on Debt Refunding	-	956,915
Total Deferred Outflows of Resources	276,916,726	7,370,778
LIABILITIES		
Current Liabilities:		
Accounts Payable	39,828,443	39,569,922
Construction Contracts Payable	8,708,772	-
Salary and Wages Payable	46,841,218	6,480,102
Deposits Payable	5,929,373	96,135
Due to University	-	30,754,850
Due to Component Units	5,563,445	439,587
Unearned Revenue	40,277,445	7,285,288
Other Current Liabilities	-	590,504
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	6,177,316
Certificates of Participation Payable	-	10,765,000
Capital Improvement Debt Payable	2,768,479	-
Loans and Notes Payable	-	663,416
Installment Purchases Payable	12,315,713	5,095,735
Right-to-Use Leases Payable	454,888	2,851,008
Right-to-Use Leases Payable to Component Units	4,340,344	-
Estimated Insurance Claims Payable	1,367,833	-
Compensated Absences Payable	11,371,956	-
Dining Facility Fee Payable	26,342	-
Other Postemployment Benefits Payable	9,583,806	-
Net Pension Liability	474,205	-
Total Current Liabilities	189,852,262	110,768,863

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	99,828,959
Certificates of Participation Payable	-	218,842,321
Capital Improvement Debt Payable	4,210,437	-
Loans and Notes Payable	-	5,786,090
Installment Purchases Payable	219,556,821	78,202,647
Right-To-Use Leases Payable	1,428,744	13,424,017
Right-To-Use Leases Payable to Component Units	22,916,538	-
Estimated Insurance Claims Payable	30,601,157	-
Compensated Absences Payable	92,214,437	-
Federal Advance Payable	1,012,789	-
Other Noncurrent Liabilities	-	12,631,833
Dining Fee Facility Payable	4,608,533	-
Other Postemployment Benefits Payable	538,182,251	-
Net Pension Liability	148,507,608	-
Total Noncurrent Liabilities	1,063,239,315	428,715,867
Total Liabilities	1,253,091,577	539,484,730
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	207,939,175	-
Pensions	226,502,354	-
Deferred Service Concession Arrangement Receipts	108,811,325	-
Leases	24,269,707	84,218,214
Irrevocable Split-Interest Agreements	-	21,553,340
Deferred Gain on Debt Refunding	-	18,358
Other	-	350,333
Total Deferred Inflows of Resources	567,522,561	106,140,245
NET POSITION		
Net Investment in Capital Assets	923,683,005	48,247,773
Restricted for Nonexpendable:		
Endowment	-	388,837,197
Restricted for Expendable:		
Debt Service	1,686,832	2,513,917
Loans	5,444,788	-
Capital Projects	26,275,601	-
Other	198,924,732	138,467,129
Endowment	-	239,085,362
Unrestricted	(330,438,780)	178,968,429
TOTAL NET POSITION	$ 825,576,178	$ 996,119,807

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

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UNIVERSITY OF SOUTH FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2022

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $145,928,163 ($3,192,811 Pledged for the Parking System Revenue Bonds)	$ 280,970,034	$ -
Federal Grants and Contracts	210,419,205	-
State and Local Grants and Contracts	32,525,171	-
Nongovernmental Grants and Contracts	210,661,747	109,337,965
Sales and Services of Auxiliary Enterprises ($10,197,071 Pledged for Parking System Revenue Bonds)	149,483,844	-
Sales and Services of Component Units	-	277,422,311
Royalties and Licensing Fees	-	4,607,699
Gifts and Donations	-	57,702,531
Interest on Loans and Notes Receivable	118,762	-
Other Operating Revenues	9,978,610	46,954,645
Total Operating Revenues	894,157,373	496,025,151
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	952,928,543	302,774,524
Services and Supplies	304,245,789	153,678,189
Utilities and Communications	26,447,653	2,879,385
Scholarships, Fellowships, and Waivers	162,870,270	11,527,365
Depreciation	86,032,247	10,814,989
Self-Insurance Claims	1,063,606	-
Total Operating Expenses	1,533,588,108	481,674,452
Operating Income (Loss)	(639,430,735)	14,350,699
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	437,919,986	-
Federal and State Student Financial Aid	207,652,765	-
Noncapital Grants and Donations	86,693,629	-
Investment Loss	(46,997,899)	(124,105,327)
Other Nonoperating Revenues	4,780,273	17,015,850
Gain (Loss) on Disposal of Capital Assets	(400,504)	2,460,044
Interest on Capital Asset-Related Debt	(11,961,922)	(16,179,169)
Other Nonoperating Expenses	(56,236,964)	(452,607)
Net Nonoperating Revenues (Expenses)	621,449,364	(121,261,209)
Loss Before Other Revenues	(17,981,371)	(106,910,510)
Additions to Permanent Endowments	-	17,950,945
State Capital Appropriations	14,751,165	-
Capital Grants, Contracts, Donations, and Fees	32,581,218	-
Increase (Decrease) in Net Position	29,351,012	(88,959,565)
Net Position, Beginning of Year	796,225,166	1,088,582,113
Adjustment to Beginning Net Position	-	(3,502,741)
Net Position, Beginning of Year, as Restated	796,225,166	1,085,079,372
Net Position, End of Year	$ 825,576,178	$ 996,119,807

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

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

For the Fiscal Year Ended June 30, 2022

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 281,068,097
Grants and Contracts	435,858,466
Sales and Services of Auxiliary Enterprises	148,226,938
Interest on Loans Receivable	141,848
Payments to Employees	(964,537,591)
Payments to Suppliers for Goods and Services	(328,523,015)
Payments to Students for Scholarships and Fellowships	(162,870,270)
Payments on Self-Insurance Claims and Expenses	(1,288,963)
Loans Issued to Students	(332,401)
Collection on Loans to Students	1,077,470
Other Operating Receipts	10,949,828
Net Cash Used by Operating Activities	(580,229,593)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	437,919,986
Federal and State Student Financial Aid	207,652,765
Noncapital Grants, Contracts and Donations	102,019,486
Federal Direct Loan Program Receipts	187,601,858
Federal Direct Loan Program Disbursements	(187,601,858)
Operating Subsidies and Transfers	11,433,284
Net Change in Funds Held for Others	(297,507)
Other Nonoperating Receipts	1,156,588
Other Nonoperating Disbursements	(39,854,792)
Net Cash Provided by Noncapital Financing Activities	720,029,810
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	9,887,604
State Capital Appropriations	17,609,064
Capital Grants, Contracts, Donations and Fees	38,229,074
Purchase or Construction of Capital Assets	(68,683,742)
Principal Paid on Capital Debt and Leases	(19,956,326)
Interest Paid on Capital Debt and Leases	(11,950,888)
Principal Received on Capital Debt and Leases	21,611
Interest Received on Capital Debt and Leases	108,389
Net Cash Used by Capital and Related Financing Activities	(34,735,214)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(89,057,677)
Investment Income	7,859,880
Net Cash Used by Investing Activities	(81,197,797)
Net Increase in Cash and Cash Equivalents	23,867,206
Cash and Cash Equivalents, Beginning of Year	70,363,193
Cash and Cash Equivalents, End of Year	$ 94,230,399

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (639,430,735)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	86,032,247
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(20,553,399)
Loans and Notes Receivable, Net	745,069
Inventories	3,472
Other Assets	1,146,413
Accounts Payable	1,619,593
Salaries and Wages Payable	657,304
Deposits Payable	(56,218)
Compensated Absences Payable	2,868,419
Unearned Revenue	1,808,465
Estimated Insurance Claims Payable	(225,357)
Other Postemployment Benefits Payable	24,387,157
Net Pension Liability	(295,650,764)
Deferred Outflows of Resources Related to Other Postemployment Benefits	14,130,077
Deferred Inflows of Resources Related to Other Postemployment Benefits	(21,318,246)
Deferred Outflows of Resources Related to Pensions	50,031,489
Deferred Inflows of Resources Related to Pensions	213,575,421
NET CASH USED BY OPERATING ACTIVITIES	$ (580,229,593)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (54,857,778)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (400,504)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 812,866

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

Blended Component Unit. Based on the application of the criteria for determining component units, the University of South Florida Health Sciences Center Self-Insurance Program is included within the University's reporting entity as a blended component unit. The University of South Florida Health Sciences Center Self-Insurance Program was created in 1972 and provides medical professional liability, covering the USF Board of Trustees and faculty, staff, and students engaged in medical programs at the University. Condensed financial statements for the University's blended component unit are shown in a subsequent note.

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

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

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

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

Health Services Support Organization.

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

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

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

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

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

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

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

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

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

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

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

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

- Buildings – 10 to 40 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Other Capital Assets – 3 to 20 years
- Works of Art and Historical Treasures – 5 years
- Right-to-Use Leased Equipment – 3 to 20 years or the term of the lease, whichever is shorter
- Right-to-Use Leased Space – 10 to 40 years or the term of the lease, whichever is shorter

Leases. The University determines if an arrangement is a lease at inception. Lessee arrangements are included in lease assets and lease liabilities in the statements of net position. Lease assets represent the University's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities represent the University's obligation to make lease payments arising from the lessee arrangement. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the university will exercise that option. Payments for short-term leases with a lease term of 12 months or less are recognized as expenses as incurred. The University has a materiality threshold of $5,000 of payments in a year of equipment leases and $75,000 of payments in a year for space leases. Short-term leases and leases under the materiality threshold are not included as lease liabilities or right-to-use lease assets on the statement of net position.

Lessor arrangements are included in lease receivables and deferred inflows of resources in the statements of net position. Lease receivables represent the University's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term. Deferred inflows or resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term. The University recognizes payments received for short-term leases with a lease term of 12 months or less as revenue as the payments are received. The University has a materiality threshold of $5,000 of payments in a year for equipment leases and $75,000 of payments in a year for space leases. Short-term leases and leases under the materiality threshold are not included as lease receivables or deferred inflows on the statement of net position.

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

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

2. Reporting Change

Governmental Accounting Standards Board Statement No. 87. The University implemented GASB Statement No. 87, *Leases*, which changes the accounting and financial reporting for leases. Under previous guidance, leases were classified as either capital or operating depending on whether the lease met any of four tests. GASB Statement No. 87 defines a lease as a contract that conveys the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Under GASB Statement No. 87, leases other than short-term leases, defined as having a maximum possible term of 12 month or less, are required to be recognized on the statement of net position. A lessee should recognize a lease liability and an intangible right-to-use leased asset, while a lessor should recognize a lease receivable and a deferred inflow of resources. Contracts that transfer ownership should be accounted for as financed purchases by the lessee or sales by the lessor.

At implementation on July 1, 2021, the University, as lessee, recognized a lease liability of $34,180,184 along with corresponding right-to-use leased equipment of $1,499,582 and right-to-use leased space of $32,680,602. In addition, $566,667 previously reported as a prepaid asset was reclassified to right-to-use leased space. The University, as lessor, recognized a lease receivable of $5,927,837 and corresponding deferred inflow of resources. In addition, $19,266,667 previously reported as revenue received in advance was reclassified to deferred inflows related to leases.

The amount of $233,207,465 previously reported as capital leases payable was associated with contracts that transfer ownership and was therefore reclassified to installment purchases payable with the implementation of GASB Statement No. 87. The $260,638,595 of property under capital leases and leasehold improvements associated with the amounts previously reported as capital leases payable was also reclassified as follows: $252,293,781 to buildings, $7,894,662 to infrastructure and other improvements, and $450,152 to furniture and equipment. Accumulated depreciation of $91,409,126 related to the previously reported property under capital leases and leasehold improvements was reclassified as follows: $87,080,737 to accumulated depreciation for buildings, $4,074,739 to accumulated depreciation for infrastructure and other improvements, and $253,650 to accumulated depreciation for furniture and equipment.

Additional information regarding leases is presented in subsequent notes.

3. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (466,987,614)
Auxiliary Funds	136,548,834
Total	$ (330,438,780)

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

Description		University
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources		$ 523,833,893
Amount Expected to be Financed in Future Years:		
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(587,096,291)	
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(267,176,382)	
Total Amount Expected to be Financed in Future Years		(854,272,673)
Total Unrestricted Net Position		$ (330,438,780)

4. Investments

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

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

The University's recurring fair value measurements as of June 30, 2022, are valued using the following valuation techniques and inputs:

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

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

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

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

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

The University's investments at June 30, 2022, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
SBA Debt Service Accounts	$ 2,279	$ 2,279	$ -	$ -
United States Treasury Securities	22,761,659	-	22,761,659	-
Bonds and Notes	25,055,027	-	25,055,027	-
Stocks and Other Equity Securities	19,986,403	19,986,403	-	-
Mutual Funds				
Equities	89,045,739	89,045,739	-	-
Bonds	496,226,159	496,226,159	-	-
Money Market	134,582,985	134,582,985	-	-
Total investments by fair value level	$ 787,660,251	$ 739,843,565	$ 47,816,686	$ -
Total investments	$ 787,660,251			

State Board of Administration Debt Service Accounts.

The University reported investments totaling $2,279 at June 30, 2022, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

Component Units' Investments.

The University discretely presented component units' investments at June 30, 2022, are reported at fair value as follows:

Investment Type	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation	University Medical Service Association, Inc.	USF Health Services Support Organization, Inc.	Total
Certificates of Deposit	$ -	$ -	$ -	$ 3,774,075	$ -	$ -	$ 3,774,075
Bonds and Notes	-	-	944,721	-	-	-	944,721
Stocks and Other Equity Securities	-	-	3,301,150	-	-	521,594	3,822,744
Partnership Investments	133,061,025	1,966,646	8,781,137	-	-	-	143,808,808
Mutual Funds:							
Equities	360,484,467	5,238,959	19,906,861	-	13,176,906	-	398,807,193
Bonds	204,946,051	2,058,919	8,888,117	-	10,582,419	-	226,475,506
Money Market	22,002,782	134,777	2,810,871	37,835,445	-	-	62,783,875
Beneficial Interest Assets	20,034,565	-	-	-	-	-	20,034,565
Total Component Units' Investments	$ 740,528,890	$ 9,399,301	$ 44,632,857	$ 41,609,520	$ 23,759,325	$ 521,594	$ 860,451,487

The component units' recurring fair value measurement as of June 30, 2022 are valued using the following valuation techniques and inputs:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	$ 3,774,075	$ 3,774,075	$ -	$ -
Bonds and Notes	944,721	-	944,721	-
Stocks and Other Equity Securities	3,301,150	3,301,150	-	-
Partnership Investments	249,999	-	-	249,999
Mutual Funds				
Equities	185,133,188	185,133,188	-	-
Bonds	130,283,928	130,283,928	-	-
Money Market	62,783,875	62,783,875	-	-
Beneficial Interest Assets	20,034,565	-	-	20,034,565
Total investments by fair value level	406,505,501	$ 385,276,216	$ 944,721	$ 20,284,564
Investments measured at the net asset value (NAV)				
Partnership Investments				
Private Equity	63,192,055			
Fixed Income	29,899,313			
Real Asset	50,467,441			
Mutual Funds				
Equities	213,674,005			
Bonds	96,191,578			
Total investments measured at the NAV	453,424,392			
Total investments measured at fair value	859,929,893			
Other				
Equity Method Investment	521,594			
Total Other Investments	521,594			
Total Component Unit Investments	$ 860,451,487			

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

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Partnership Investments:				
Private Equity	$ 63,192,055	$ 23,507,636	NA	NA
Fixed Income	29,899,313	17,566,110	Monthly	3-5 days
Real Asset	50,467,441	20,462,606	NA	NA
Mutual Funds:				
Equities	213,674,005	-	Daily/Monthly	2-30 days
Bonds	96,191,578	-	Weekly	0-7 days
Total investments measured at the NAV	$ 453,424,392	$ 61,536,352		

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

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

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

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

The University's investments (which include investments of its blended component unit, the USF Health Sciences Center Self-Insurance Program), and investments of its discretely presented component units, consisted of various debt, equity and equity-type securities, and equity, bond, and money market mutual funds. The University's investment policy, the USF Health Sciences Center Self-Insurance Program's investment policy, and the discretely presented component units' investment policies allow investments in cash and cash equivalents, equities, mutual funds, and fixed-income investments. The following risks apply to the University, USF Health Sciences Center Self-Insurance Program, and discretely presented component unit investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University, USF Health Sciences Center Self-Insurance Program, and discretely presented component unit investment policies limit the fixed-income portfolio (United States Treasury securities, United States government agency obligations, mortgage-based securities, corporate debt, State, and municipal securities investments) to a weighted-average duration of less than five years. For long-term investments, the University and discretely presented component unit investment policies do not limit the duration for long-term corporate notes or other direct debt obligations. The University and discretely presented component unit investment policies provide for interest rate risk. The risk varies depending on the type of investment.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The USF Health Sciences Center Self-Insurance Program's investment policy provides that all fixed-income securities investments shall be rated in the top three rating classifications as defined by both Moody's and Standard & Poor's. The University and discretely presented component unit investment policies provide for credit risk. The risk varies depending on the type of investment.

The following interest rate and credit risks apply to the University, USF Health Sciences Center Self-Insurance Program and discretely presented component investments in debt securities and mutual funds at June 30, 2022:

University Debt Investment Maturity and Quality Ratings

Investment Type	Weighted Average Maturities	Credit Quality Rating: Moody's	Credit Quality Rating: Standard and Poor's	Fair Value
United States Treasury Securities (2)	3.39 Years	(1)	(1)	$ 22,761,659
Bonds and Notes (2)	3.67 Years	Aaa - A3	AAA - A-	25,055,027
Bond Mutual Funds (3)	3.06 Years	Not Rated	Not Rated	496,226,159
Money Market Mutual Funds (2)	5 Days	Aaa-mf	AAAm	2,384,817
Money Market Mutual Funds (3)	27 Days	Aaa-mf	AAAm	132,198,168
Total				$ 678,625,830

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

Discretely Presented Component Units Investment Maturity

		Investment Maturites (In Years)			
Investment Type	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Bonds and Notes	$ 944,721	$ -	$ 364,264	$ 144,965	$ 435,492
Partnership Fixed Income	29,899,313	29,899,313	-	-	-
Mutual Funds:					
Bonds	226,475,506	33,741,224	192,613,865	120,417	-
Money Market	62,783,875	62,783,875	-	-	-
Total	$320,103,415	$126,424,412	$192,978,129	$ 265,382	$ 435,492

Discretely Presented Component Units Quality Ratings (1)

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Bonds and Notes	$ 944,721	$ 366,338	$ 8,087	$ 142,167	$ 428,129
Partnership Fixed Income	29,899,313	-	-	-	29,899,313
Mutual Funds:					
Bonds	226,475,506	15,945,149	33,863,030	13,398,940	163,268,387
Money Market	62,783,875	37,835,445	-	-	24,948,430
Total	$ 320,103,415	$ 54,146,932	$ 33,871,117	$ 13,541,107	$ 218,544,259

(1) Rated by Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investments that are held by someone other than the University and not registered in their names. Investments for the University are held in counterparty accounts as custodian. The University investment policy provides for custodial credit risk. All investments for the USF Health Sciences Center Self-Insurance Program are held in counterparty accounts as custodian.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University, USF Health Sciences Center Self-Insurance Program, and discretely presented component unit investment policies provide that the maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the United States Government shall not exceed five percent of the market value of the assets of the investment portfolio, and no single corporate bond issuer shall exceed 5 percent of the market value of the investment portfolio. Direct investments in securities of the United States Government, Government agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of United States Government Securities are not subject to these restrictions for the University and its discretely presented component units. The University did not have any investments in securities of an individual issuer or single corporate bond issue that exceeded five percent of the market value of the investment portfolio at June 30, 2022.

5. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2022, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 69,668,907
Student Tuition and Fees	11,010,542
USF Health Sciences Center Self-Insurance	7,287,020
Other	10,886,508
Total Accounts Receivable	$ 98,852,977

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans, leases, and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans, leases, and notes receivable are reported net of allowances of $10,801,072 and $1,671,093, respectively, at June 30, 2022.

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

6. Due From State

The amount due from State consists of $682,422 from Public Education Capital Outlay and $28,300,951 from Capital Improvement Fee Trust Fund allocations due from the State to the University for construction of University facilities.

7. Due From and To Component Units

The $30,754,850 reported as due from component units consists of amounts owed to the University from the University of South Florida Research Foundation, Inc. ($8,909,397) for grant and special project-related revenue, administrative overhead rebate, construction funding, and the value of publicly traded equity shares from intellectual property licensing agreements; from Sun Dome, Inc. ($94,308) for merchandise sales; from the University of South Florida Alumni Association ($27,793) for payroll expenses; from the USF Institute of Applied Engineering, Inc. ($2,657,904) for salaries and other operating expenses at USF as well as shared services fees; from the University Medical Service Association, Inc. ($19,037,451) for Medicaid payments to the Agency for Health Care Administration, salaries and other operating expenses at USF and payments from HCA West Florida to support the Graduate Medical Education (GME) program; and from the USF Health Professions Conferencing Corporation ($27,997) for wages and program residuals, net of deposits made to support the funding of salaries and other operating expenses at USF and service invoices payable owed by the University.

The $5,563,445 reported as due to component units represents amounts owed by the University to the University of South Florida Foundation, Inc. ($4,891,243) for funds supporting the construction of the USF Health Morsani College of Medicine and Heart Institute project, net of amounts owed to the University, primarily for salary and operating expense support, and to the USF Financing Corporation ($672,202) for student housing revenues.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2022, is shown in the following table:

Description	Beginning Balance (1)	Adjustments (2)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 21,410,885	$ -	$ 520,321	$ -	$ 21,931,206
Works of Art and Historical Treasures	950,144	-	-	-	950,144
Other Capital Assets	1,173,750	-	-	-	1,173,750
Construction in Progress	25,790,981	-	67,092,135	10,876,708	82,006,408
Total Nondepreciable Capital Assets	$ 49,325,760	$ -	$ 67,612,456	$ 10,876,708	$ 106,061,508
Depreciable Capital Assets:					
Buildings	$ 1,828,115,665	$ (3,866,476)	$ 8,947,362	$ -	$ 1,833,196,551
Infrastructure and Other Improvements	95,626,821	-	-	-	95,626,821
Furniture and Equipment	230,738,071	3,866,476	13,613,412	6,307,043	241,910,916
Library Resources	31,628,747	-	1,978,922	256	33,607,413
Works of Art and Historical Treasures	689,413	-	-	-	689,413
Other Capital Assets	12,004,461	-	143,738	959,874	11,188,325
Right-to-Use Leased Equipment	1,499,582	-	-	-	1,499,582
Right-to-Use Leased Space	33,247,269	-	432,862	-	33,680,131
Total Depreciable Capital Assets	2,233,550,029	-	25,116,296	7,267,173	2,251,399,152
Less, Accumulated Depreciation:					
Buildings	727,106,519	-	55,996,800	-	783,103,319
Infrastructure and Other Improvements	53,087,256	-	3,870,081	-	56,957,337
Furniture and Equipment	156,483,597	-	16,764,391	5,906,626	167,341,362
Library Resources	13,294,436	-	3,158,349	169	16,452,616
Works of Art and Historical Treasures	418,465	-	20,739	-	439,204
Other Capital Assets	11,334,374	-	179,349	959,874	10,553,849
Right-to-Use Leased Equipment	-	-	266,970	-	266,970
Right-to-Use Leased Space	-	-	5,775,568	-	5,775,568
Total Accumulated Depreciation	961,724,647	-	86,032,247	6,866,669	1,040,890,225
Total Depreciable Capital Assets, Net	$ 1,271,825,382	$ -	$ (60,915,951)	$ 400,504	$ 1,210,508,927

(1) The beginning balances of Buildings, Infrastructure and Other Improvements, Furniture and Equipment, Right-to-Use Leased Equipment, and Right-to-Use Leased Space and the associated accumulated depreciation were adjusted as part of the implementation of GASB Statement No. 87 as discussed in Note 2.

(2) Amounts capitalized from construction as part of Buildings in the 2020-21 fiscal year were identified as Furniture and Equipment in the 2021-22 fiscal year and reclassified.

9. Leases

Lessee Arrangements

The University leases office equipment and dark fiber equipment from external parties as well as office space and real property from external parties and discretely presented component units for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through 2035. In accordance with GASB Statement No. 87, the University records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the University's incremental borrowing rate. The interest rates range from 1.3 percent to 3.5 percent. Variable payments are excluded from the valuations unless they are fixed in substance. Certain office space leases call for additional payments for the University's share of operating costs, which are the total of all costs incurred by the lessor relating to the ownership, operation, and maintenance of the building and services provided tenants in the building and may include items such as taxes, insurance, utilities, maintenance, janitorial services, waste disposal, and common area expenses. The lessor reasonably estimates the operating costs that will be payable for the year, and the University pays one twelfth of its share of the estimated operating costs monthly in advance with the payment of base rent. After the end of the year, the estimated costs are compared to the actual costs, and any adjustment payments are made. The operating cost payments are recognized as expenses as incurred and not included as lease liabilities or right-to-use assets on the statement of net position. During the 2021-22 fiscal year, the University recognized $3,116,285 for operating cost payments related to leases. The University does not have any leases subject to a residual value guarantee. See Note 8. Capital Assets, for information on right-to-use assets and associated accumulated depreciation. See Note 12. Long-Term Liabilities, for the future payments schedule.

Lessor Arrangements

The University leases office space and land to external parties. The leases expire in 2045 and 2069, respectively. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rate charged to the lessee, which may be the interest rate implicit in the lease. Variable payments are excluded from the valuations unless they are fixed in substance. Rent for the office space lease is prepaid, and the interest rate for the land lease is 2 percent. During the 2021-22 fiscal year, the University recognized revenues related to these lease agreements totaling $1,033,185.

10. Service Concession Arrangement

During the 2016-17 fiscal year, the University entered into an agreement with HSRE-Capstone Tampa, LLC (Tenant), under which the Tenant will construct, operate and collect payments for student housing and retail facilities through June 30 after the 45th anniversary of substantial completion of new facilities. The University entered into this agreement in order to satisfy the current and projected needs and demands for student housing facilities while using its resources in an efficient and effective manner. Phase I of construction, including a dining facility and a health and wellness facility, was substantially completed during the 2017-18 fiscal year. Phase II was substantially completed during the 2018-19 fiscal year. The Tenant will transfer ownership of the new facilities to the University at the end of the agreement. The Tenant is entitled to all revenues and other income received from the lease of the housing facilities. The Tenant will pay the University base rent annually as a distribution of the net operating surplus as defined in the agreement. The University will pay the Tenant a fee in the amount of $300,000 per year for the use of the dining facility. The University retains the right to approve retail tenants and will oversee student housing by providing administrative services. Housing resident rental rates must be approved unanimously by an advisory committee which includes two members designated by the University. The University reports housing facilities and infrastructure with a carrying amount of $110,629,356, a dining facility fee liability in the amount of $4,634,875, and deferred inflows of resources in the amount of $108,811,325 at year-end pursuant to the service concession arrangement.

11. Unearned Revenue

Unearned revenue at June 30, 2022, includes Alec P. Courtelis Matching Trust fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2022, to spend the funds, amounts received from contracts and grants, and auxiliary prepayments received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2022, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 37,210,288
Capital Appropriations	334,685
Auxiliary Prepayments	2,732,472
Total Unearned Revenue	$ 40,277,445

12. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2022, include capital improvement debt payable, installment purchases payable, right-to-use leases payable, estimated insurance claims payable, compensated absences payable, Federal advances payable, dining facility fee payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2022, is shown in the following table:

Description	Beginning Balance (1)	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 9,682,395	$ -	$ 2,703,479	$ 6,978,916	$ 2,768,479
Installment Purchases Payable	233,728,873	9,887,604	11,743,943	231,872,534	12,315,713
Right-to-Use Leases Payable	34,180,184	432,862	5,472,532	29,140,514	4,795,232
Estimated Insurance Claims Payable	32,194,347	1,063,606	1,288,963	31,968,990	1,367,833
Compensated Absences Payable	100,717,974	16,551,749	13,683,330	103,586,393	11,371,956
Federal Advance Payable	1,477,548	-	464,759	1,012,789	-
Dining Facility Fee Payable	4,659,726	-	24,851	4,634,875	26,342
Other Postemployment Benefits Payable	523,378,900	414,410,848	390,023,691	547,766,057	9,583,806
Net Pension Liability	444,632,577	81,561,686	377,212,450	148,981,813	474,205
Total Long-Term Liabilities	$ 1,384,652,524	$ 523,908,355	$ 802,617,998	$ 1,105,942,881	$ 42,703,566

(1) The beginning balances of Installment Purchases Payable and Right-to-Use Leases payable were adjusted as part of the implementation of GASB Statement No. 87 as discussed in Note 2. Amounts previously reported as Revenue Received in Advance are currently reported as deferred inflows related to leases.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2022:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rate (Percent)	Maturity Date To
Capital Improvement Debt:				
2016A Parking	$21,545,000	$ 6,978,916	2.2	2026
Total Capital Improvement Debt	$21,545,000	$ 6,978,916		

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

The University has pledged a portion of future traffic and parking fees, and various student fee assessments to repay $6,978,916 in capital improvement (parking) revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student parking garages. The bonds are payable solely from traffic and parking fees, and transportation access fees and are payable through 2026. The University has committed to appropriate each year from the traffic and parking fees, transportation access fees, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is $7,348,950 and principal and interest paid for the current year totaled $2,929,280. During the 2021-22 fiscal year, traffic and parking fees, and transportation access fees totaled $10,197,071 and $3,192,811, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	$ 2,780,000	$ 154,550	$ 2,934,550
2024	1,950,000	93,390	2,043,390
2025	1,135,000	50,490	1,185,490
2026	1,160,000	25,520	1,185,520
Subtotal	7,025,000	323,950	7,348,950
Deferred Loss on Refunding	(46,084)	-	(46,084)
Total	$ 6,978,916	$ 323,950	$ 7,302,866

Installment Purchases Payable. The University has entered into installment purchase agreements for the purchase of equipment reported at $671,809. The stated interest rates ranged from 2.3 percent to 4 percent. The University pledged turf and chiller equipment as collateral for the installment purchases. The installment purchases contain a provision that, in an event of default, outstanding amounts become immediately due.

During the 2021-22 fiscal year, the University entered into an Energy Service Company (ESCO) equipment purchase agreement for the purpose of replacing aging equipment, improving utility efficiency, and reducing annual maintenance costs. The University's Siemens ESCO Project is for the amount of $9,887,604 with the stated interest rate of 2.2 percent. The University pledged boiler equipment as collateral for the ESCO installment purchase. The installment purchase contains a provision that, in an event of default, outstanding amounts become immediately due.

In addition, the University has installment purchases payable to USF Financing Corporation for debt used to finance the construction of various buildings, building improvements, and infrastructure. The USF Financing Corporation contracts were previously reported as capital leases payable pursuant to GASB Statement No. 62. As contracts that transfer ownership, they are now reported as financed sales pursuant to GASB Statement No. 87.

The underlying debt of the installment purchases payable to USF Financing Corporation as of June 30, 2022, is as follows:

Debt Type and Series	Amount of Original Debt	Amount Outstanding	Interest Rates (Percent)	Maturity Date To
Bonds:				
Series 2015 Marshall Center	$ 31,595,000	$ 24,285,000	3.65-5.00	2036
Notes:				
Series 2013 Arena (1)	20,000,000	13,445,000	4.78	2033
Series 2018A Athletics (1)	6,843,759	5,861,961	2.25	2030
Series 2018B Athletics (1)	9,354,110	8,077,464	2.25	2031
Certificates of Participation:				
Series 2003A Athletics	9,905,000	1,040,000	3.82	2022
Series 2012A Housing	77,015,000	74,680,000	5.00	2035
Series 2012B Housing	68,975,000	48,750,000	4.67	2037
Series 2015A Housing	23,640,000	2,065,000	5.00	2023
Series 2018 Housing	30,140,000	29,065,000	4.00-5.00	2048
Series 2019 Housing	15,510,000	14,365,000	3.25-5.00	2040
Total	$ 292,977,869	$ 221,634,425		

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

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

Future minimum payments under the installment purchase agreements and the present value of the minimum payments as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2023	$ 22,629,970	$ 12,315,713	$ 10,314,257
2024	22,223,681	12,436,466	9,787,215
2025	22,206,135	12,981,266	9,224,869
2026	22,192,584	13,553,148	8,639,436
2027	22,301,771	14,274,925	8,026,846
2028-2032	109,050,964	79,159,812	29,891,152
2033-2037	76,787,155	65,028,427	11,758,728
2038-2042	15,444,522	12,157,777	3,286,745
2043-2047	9,512,600	8,140,000	1,372,600
2048	1,898,000	1,825,000	73,000
Total Minimum Lease Payments	$ 324,247,382	$ 231,872,534	$ 92,374,848

Right-to-Use Leases Payable. Future minimum payments under right-to-use lease agreements and the present value of the minimum payments as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2023	$ 5,513,543	$ 4,795,232	$ 718,311
2024	4,083,947	3,454,800	629,147
2025	3,793,962	3,240,047	553,915
2026	3,709,399	3,229,806	479,593
2027	2,375,494	1,963,214	412,280
2028-2032	9,686,272	8,386,010	1,300,262
2033-2035	4,251,617	4,071,405	180,212
Total Minimum Lease Payments	$ 33,414,234	$ 29,140,514	$ 4,273,720

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2022, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $103,586,393. The current portion of the compensated absences liability, $11,371,956, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Federal Advance Payable. This represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal Government should the University cease making Federal Perkins Loans or has excess cash in the loan program. Federal capital contributions held by the University totaled $1,012,789.

Dining Facility Fee Payable. This represents the University's liability to pay HSRE-Capstone Tampa, LLC, the Tenant in a service concession arrangement, an annual fee for the use of the dining facility constructed as part of the agreement. The discount rate used to determine the liability was 6 percent. Future minimum payment remaining under the agreement and the present value of the minimum payments as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Amount
2023	$ 300,000
2024	300,000
2025	300,000
2026	300,000
2027	300,000
2028-2032	1,500,000
2033-2037	1,500,000
2038-2042	1,500,000
2043-2047	1,500,000
2048-2052	1,500,000
2053-2057	1,500,000
2058-2062	1,500,000
2063-2064	600,000
Total Minimum Payments	12,600,000
Less, Amount Representing Interest	7,965,125
Present Value of Minimum Payments	$ 4,634,875

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

General Information about the OPEB Plan

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

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

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of $547,766,057 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2021, the University's proportionate share, determined by its proportion of total benefit payments made, was 5.2 percent, which was an increase of 0.11 from its proportionate share reported as of July 1, 2020.

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

Inflation	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	2.18 percent
Healthcare cost trend rates	7.8 percent for Preferred Provider Organizations (PPO) for the fiscal year 2021, initially increasing to 8.2 percent for 2024 before decreasing to ultimate rate of 4 percent for 2076 and later years. 5.7 percent for Health Maintenance Organizations (HMO) for fiscal year 2021, initially increasing to 6 percent for 2024 before decreasing to ultimate rate of 4 percent for 2076 and later years.
Retirees' share of benefit-related costs	100 percent of projected health insurance premiums for retirees

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

Mortality rates were based on the Pub-2010 mortality tables with fully generational mortality improvement using Scale MP-2018.

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

The following changes have been made since the prior valuation:

- Discount Rate – The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.66 percent to 2.18 percent.
- Retirement – Retirement rates were updated to align with those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2019, with certain adjustments made to reflect the difference in the underlying populations. 60 percent of DSGI employees are assumed to become eligible for the Deferred Retirement Option Program (DROP), while the remaining 40 percent are assumed to participate in plans which do not offer DROP benefits. Rates were previously those used in Millman's actuarial of FRS as of July 1, 2015. This change decreased the Total OPEB Liability by about 7 percent as of the valuation date.

- Termination – Termination rates were updated to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Millman as of July 1, 2019. Previously, rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 3 percent as of the valuation date.
- Disability – Disability rates were updated to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Millman as of July 1, 2019. Previously, rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 0.5 percent as of the valuation date.
- Salary Scale – Salary Increase rates were updated to those used in the actuarial valuation of the Florida Retirement System (FRS) conducted by Millman as of July 1, 2019. Previously rates were those used in Milliman's actuarial valuation of FRS as of July 1, 2015. This change increased the Total OPEB Liability by about 0.2 percent as of the valuation date.
- Active Medical Plan Election Rate – Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement at a rate of 47 percent. For those who are not currently covered under the health plan, 3.7 percent are assumed to elect medical coverage in retirement. The resulting overall participation rate is 43 percent. Previously, the overall participation rate was 50 percent. This assumption is based on guidance provided by the DSGI on June 23, 2021. This change resulted in an 8 percent decrease in the Total OPEB Liability as of the valuation date.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.18 percent) or 1 percentage point higher (3.18 percent) than the current rate:

	1% Decrease (1.18%)	**Current Discount Rate (2.18%)**	**1% Increase (3.18%)**
University's proportionate share of the total OPEB liability	$682,206,451	$547,766,057	$446,034,989

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

	1% Decrease	**Healthcare Cost Trend Rates**	**1% Increase**
University's proportionate share of the total OPEB liability	$431,204,017	$547,766,057	$708,238,088

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

For the fiscal year ended June 30, 2022, the University recognized OPEB expense of $26,910,876. At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 26,036,319
Change of assumptions or other inputs	58,912,396	181,413,059
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	99,942,402	489,797
Transactions subsequent to the measurement date	9,754,143	-
Total	$ 168,608,941	$ 207,939,175

Of the total amount reported as deferred outflows of resources related to OPEB, $9,754,143 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2023	$ (15,031,634)
2024	(15,031,634)
2025	(15,031,634)
2026	(4,402,242)
2027	1,770,444
Thereafter	(1,357,677)
Total	$ (49,084,377)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2022, the University's proportionate share of the net pension liabilities totaled $148,981,813. Note 14. includes a complete discussion of defined benefit pension plans.

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

Long-term liabilities of the USF Financing Corporation at June 30, 2022, include a mortgage loan payable, notes payable, bonds payable, and certificates of participation payable. Long-term liabilities activity for the year ended June 30, 2022, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Bonds Payable	$ 26,595,000	$ -	$ 1,125,000	$ 25,470,000	$ 1,185,000
Certificates of Participation Payable	129,785,000	-	4,725,000	125,060,000	4,885,000
Direct Borrowings and Placements:					
Mortgage Loan Payable	3,150,164	-	240,248	2,909,916	250,910
Notes Payable	69,202,506	-	3,937,623	65,264,883	4,157,316
Certificates of Participation Payable	103,600,000	-	5,695,000	97,905,000	5,880,000
Long Term Liabilities	332,332,670	-	15,722,871	316,609,799	16,358,226
Original Issue Premium	9,650,328	-	1,566,615	8,083,713	
Total Long Term Liabilities	$341,982,998	$ -	$ 17,289,486	$324,693,512	

Mortgage Loan Payable.

The USF Financing Corporation had a mortgage loan payable outstanding at June 30, 2022, as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rate	Issue Date	Maturity Date
Series 2019 UDI Building	$ 3,600,000	$ 2,909,916	4.33	2019	2031
Total	$ 3,600,000	$ 2,909,916			

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

The cost of the UDI building was $3,576,430 and is pledged as collateral for the Series 2019 mortgage loan, a direct borrowing from the bank. The Series 2019 mortgage loan contains provisions that in an event of default the bank may cancel the agreement, accelerate payment for all amounts due under the mortgage, take immediate possession and management of the property, and foreclose on the property.

The USF Financing Corporation master leased the UDI building to the USF Research Foundation until 2069, unless sooner terminated and the USF Research Foundation makes payments to the USF Financing Corporation in an amount equal to 100 percent of debt service and any additional costs due. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

Mortgage Loan Payable – Schedule of Payments.

The following is a schedule of future payments payable under the mortgage loan agreement as of June 30, 2022:

Fiscal Year ending June 30	Direct Borrowing Principal	Direct Borrowing Interest
2023	$ 250,910	$ 125,059
2024	261,742	114,227
2025	273,664	102,306
2026	285,810	90,160
2027	298,495	77,475
2028-2032	1,539,295	176,176
Total Minimum Payments	$ 2,909,916	$ 685,403

Notes Payable.

The USF Financing Corporation had notes payable outstanding at June 30, 2022 as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue Date	Maturity Date
Series 2013 Arena	$ 20,000,000	$ 14,195,000	4.78	2013	2033
Series 2018A Athletics	6,843,759	5,861,961	2.25	2020	2030
Series 2018B Athletics	9,354,110	8,077,464	2.25	2020	2031
Series 2018 CAMLS	13,857,941	11,966,614	2.25	2020	2031
Series 2019 Research Lab	27,000,000	25,163,844	3.22	2019	2039
Total	$ 77,055,810	$ 65,264,883			

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

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

Pursuant to an operating and reporting agreement, the University operates the Arena facility and makes payments to the USF Financing Corporation in an amount equal to at least 100 percent of principal and interest due on the Note, together with all other amounts due on the Note. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

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

On August 31, 2020, the USF Financing Corporation refinanced the Series 2018A and Series 2018B Athletics Notes, reducing the net interest rates from 3.46 percent and 3.51 percent, respectively, to 2.25 percent as evidenced by the Amended and Restated Promissory Notes. The Amended and Restated Series 2018A Athletics Note was issued in the amount of $6,843,759. The proceeds were used to prepay the outstanding principal of the Series 2018A Athletics Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $68,438. This amount represents the 1 percent prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow, is being charged to operations through the year 2030 using the straight-line method. At June 30, 2022, the unamortized balance of the deferred outflow was $47,211. The Amended and Restated Series 2018B Athletics Note was issued in the amount of $9,354,110. The proceeds were used to prepay the outstanding principal of the Series 2018B Athletics Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $93,541. This amount represents the 1 percent prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow, is being charged to operations through the year 2031 using the straight-line method. At June 30, 2022, the unamortized balance of the deferred outflow was $66,701. The USF Financing Corporation completed these current refunding's to reduce its total debt service payments over the next 11 years by approximately $1 million and to obtain the economic gain (the difference between the present values of the old and new debt service payments) of approximately $0.9 million.

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

For the Series 2018A and 2018B Athletics Notes, the USF Financing Corporation entered into a Ground Lease Agreement, dated as of January 15, 2010, and amended as of March 9, 2018, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the athletics district facilities are located. The USF Financing Corporation subleased the athletics district facilities to the University until 2031, unless sooner terminated. The University makes payments to the USF Financing Corporation in an amount equal to 100 percent of principal and interest due on the notes, together with all other amounts due on the notes. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

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

On August 31, 2020, the USF Financing Corporation refinanced the Series 2018 CAMLS Notes, reducing the net interest rates from 3.51 percent to 2.25 percent as evidenced by the Amended and Restated Promissory Note. The Amended and Restated Series 2018 CAMLS Note was issued in the amount of $13,857,941. The proceeds were used to prepay the outstanding principal of the Series 2018 CAMLS Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $138,579. This amount represents the 1 percent prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow, is being charged to operations through the year 2031 using the straight-line method. At June 30, 2022, the unamortized balance of the deferred outflow was $98,816. The USF Financing Corporation completed these current refunding's to reduce its total debt service payments over the next 11 years by approximately $0.9 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately $0.8 million.

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

For the Series 2018 CAMLS Note, the USF Financing Corporation entered into a Ground Lease Agreement, dated as of December 15, 2010, and amended as of June 12, 2015, and March 9, 2018, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the CAMLS facility is located. The University acquired land in the central business district of downtown Tampa, Florida. The USF Financing Corporation subleased the CAMLS facility to USF Health Professions Conferencing Corporation (HPCC), a direct-support organization of the University, pursuant to a facility lease agreement, until 2051, unless sooner terminated. USF HPCC makes 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. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

Series 2019 Research Laboratory and Office Building Note. On December 16, 2019, the USF Financing Corporation entered into a loan agreement with Truist Bank, evidenced by the Series 2019 Taxable Promissory Note (Series 2019 Research Note). The proceeds of the loan were used to finance a portion of the costs of the development of a mixed-use laboratory and office building to be located in the USF Research Park (Research Laboratory and Office Building). The Series 2019 Research Note was issued at a taxable, fixed interest rate and is callable at the option of the USF Financing Corporation on any scheduled payment date at: 105 percent of principal outstanding if prepaid in the first year of the loan, 104 percent in the second year, 103 percent in the third year, 102 percent in the fourth year, 101 percent in the fifth year, and 100 percent if prepaid after the fifth year of the loan.

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

For the Series 2019 Research Laboratory and Office Building Note, the USF Financing Corporation entered into a sublease agreement, dated March 11, 2020, with the USF Research Foundation whereby the USF Research Foundation has leased to the USF Financing Corporation the land on which the Research Laboratory and Office Building will be developed. Pursuant to the master lease agreement, dated December 16, 2019, the USF Financing Corporation sub-subleased the land and the improvements back to the USF Research Foundation until the earlier of the date all amounts due on the loan are paid in full or July 1, 2052, unless sooner terminated. The USF Research Foundation is permitted to take possession of the land and improvement upon completion of such improvements. The USF Research Foundation makes 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. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

Notes Payable – Schedule of Payments.

The following is a schedule of future payments payable under the loan agreements as of June 30, 2022:

	Direct Borrowing	
Fiscal Year Ending June 30	**Principal**	**Interest**
2023	$ 4,157,316	$ 2,047,980
2024	4,393,059	1,921,648
2025	4,640,557	1,785,179
2026	4,900,562	1,643,213
2027	5,178,873	1,493,631
2028-2032	25,611,664	4,947,218
2033-2037	10,841,084	1,782,333
2038-2042	5,541,768	361,415
Total Minimum Payments	$ 65,264,883	$ 15,982,617

Bonds Payable.

The USF Financing Corporation had bonds outstanding at June 30, 2022 as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue Date	Maturity Date
Series 2015 Marshall Center	$ 31,595,000	$ 25,470,000	3.65–5.00	2015	2036
Total	$ 31,595,000	$ 25,470,000			

Series 2015 Marshall Center Revenue Bonds. The Series 2015 tax-exempt, fixed rate Marshall Center Capital Improvement Refunding Revenue Bonds were issued on May 6, 2015, to refund the Series 2005C Certificates of Participation, in advance of the first optional prepayment date of the Series 2005C Certificates on July 1, 2015. The Series 2005C Certificates were originally issued to finance the cost to lease purchase a new student center. The Bonds were issued at tax-exempt, fixed interest rates ranging from 2 to 5 percent. The Bonds mature in 2036 and, beginning on July 1, 2025, are callable at the option of the USF Financing Corporation at 100 percent of the principal amount outstanding. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $418,352. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow of resources, is being charged to operations through the year 2036 using the straight-line method. At June 30, 2022, the unamortized balance of the deferred outflow of resources was $144,444. 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. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

Bonds Payable – Schedule of Payments.

The following is a schedule of future payments payable under the bond agreements as of June 30, 2022:

	Bonds	
Fiscal Year Ending June 30	**Principal**	**Interest**
2023	$ 1,185,000	$ 1,185,020
2024	1,240,000	1,124,395
2025	1,305,000	1,060,770
2026	1,365,000	994,020
2027	1,435,000	924,020
2028–2032	8,340,000	3,438,725
2033–2037	10,600,000	1,138,008
Total Minimum Payments	25,470,000	$ 9,864,958
Unamortized Premium	1,441,392	
Bonds Payable	$ 26,911,392	

Certificates of Participation Payable.

The USF Financing Corporation had Certificates of Participation (Certificates) outstanding at June 30, 2022 as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue/ Acceptance Date	Maturity Date
Series 2012A Housing	$ 77,015,000	$ 75,035,000	5.00	2015	2035
Series 2015A Housing	23,640,000	5,525,000	5.00	2015	2023
Series 2018 Housing	30,140,000	29,615,000	4.00–5.00	2019	2048
Series 2019 Housing	15,510,000	14,885,000	3.25–5.00	2019	2040
Direct Placements:					
Series 2003A Athletics	9,905,000	1,040,000	3.82	2011	2022
Series 2012B Housing	68,975,000	51,125,000	4.67	2012	2037
Series 2013A Health	37,920,000	29,945,000	3.20–3.43	2016	2036
Series 2013B Health	17,925,000	15,795,000	4.29	2018	2037
Total	$ 281,030,000	$ 222,965,000			

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

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

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

With respect to the South Clinic Facility site, the University possesses a leasehold interest in the site, pursuant to a sublease dated March 15, 2006, between the University and Florida Health Science Center, Inc., doing business as Tampa General Hospital, whereby Tampa General Hospital has subleased to the University the land on which the South Clinic Facility was constructed.

The USF Financing Corporation has subleased the North Clinic Facility, the South Clinic Facility, and the Medical Office Building to University Medical Service Association, Inc. (UMSA), a direct-support organization of the University, pursuant to individual office building lease agreements. UMSA makes payments to the USF Financing Corporation in an amount equal to 120 percent of principal and interest due on the Series 2013A Certificates, together with all other amounts due on the Notes. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

Series 2012A Housing Certificates. The Series 2012A tax-exempt, fixed rate Certificates were reissued on May 6, 2015, to convert the Series 2012A Certificates from variable rate to fixed rate mode.

The Certificates mature in 2035 and are not subject to optional prepayment prior to July 1, 2025. On or after July 1, 2025, the Certificates are callable at the option of the USF Financing Corporation at 100 percent of the principal amount outstanding.

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

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

Series 2015A Housing Certificates. The Series 2015A tax-exempt, fixed rate Certificates were issued on May 6, 2015, to refund the Series 2005A Certificates, in advance of the first optional prepayment date of the Series 2005A Certificates on July 1, 2015. The Series 2005A Certificates were originally issued to retire or defease the University's prior housing financings. The Certificates mature in 2023 and are not subject to prepayment at the option of the USF Financing Corporation. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $997,085. This difference, reported in USF Financing Corporation's financial statements as a deferred inflow of resources, is being charged to operations through fiscal year 2024 using the straight-line method. At June 30, 2022, the unamortized balance of the deferred inflow of resources was $18,358. The USF Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 8 years by $3.3 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3.1 million.

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

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

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

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

The Series 2019 Housing Refunding Certificates 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. The outstanding principal of the Series 2010B Housing Certificates in the amount of $15,140,000, plus accrued interest, was paid in full on July 1, 2020. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $918,741. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow of resources, is being charged to operations through the year 2040 using the straight-line method. At June 30, 2022, the unamortized balance of the deferred outflow of resources was $500,927. The USF Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 21 years by $2.7 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1.8 million.

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

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

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

Series 2012B Housing Certificates. The Series 2012B tax-exempt, variable rate Refunding Certificates were issued and directly placed with Wells Fargo Bank, N.A. on October 1, 2012, to refund the Series 2007 Housing Certificates. The Series 2007 Housing Certificates were originally issued to finance the acquisition, construction and equipping of a housing facility on the University's Tampa Campus. The

Refunding Certificates were issued at an amount equal to the par amount of the outstanding Series 2007 Housing Certificates. The Certificates, which mature in 2037, are subject to a mandatory purchase on October 1, 2024.

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

Series 2013A Health Certificates. The Series 2013A tax-exempt, variable rate Certificates were issued and directly placed with JPMorgan Chase Bank, N.A. on September 3, 2013, to refund the Series 2006A Health Certificates. The Series 2006A Health Certificates were originally issued to finance the acquisition and construction of two fully equipped medical office buildings (the North Clinic Facility and the South Clinic Facility). The Certificates were issued at an amount equal to the par amount of the outstanding Series 2006A Certificates. On July 1, 2016, the Certificates were converted from variable rate to fixed rate mode. The associated interest rate swap, with an equal notional amount, expired on July 1, 2016. On October 1, 2021, the Certificates were converted from tax-exempt interest rates to taxable interest rates following a Determination of Taxability, as described in the Series 2013A supplemental trust agreement. The Certificates will hold a taxable interest rate equal to 3.20 percent per annum through July 1, 2022, on which date the interest rate will adjust to 3.43 percent through July 1, 2026, the last day of the current long term rate period. The Certificates mature in 2036.

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

Series 2013B Health Certificates. The Series 2013B tax-exempt, variable rate Certificates were issued and directly placed with JP Morgan Chase Bank, N.A. on September 3, 2013, to refund the Series 2007 Health Certificates. The Series 2007 Health Certificates were originally issued to finance the acquisition, construction, installation, and equipping of a medical office building (Medical Office Building). The Certificates were issued at an amount equal to the par amount of the outstanding Series 2007 Health Certificates. On July 2, 2018, the $17,925,000 outstanding par amount of the Series 2013B tax-exempt Certificates were converted from a variable rate mode to a fixed rate mode and directly placed with Truist Bank through maturity in 2037. The associated interest rate swap, with an equal notional amount, expired on July 1, 2018. On October 1, 2021, the Certificates were converted from tax-exempt interest rates to taxable interest rates following a Determination of Taxability, as described in the Series 2013B supplemental trust agreement. The Certificates will hold a taxable interest rate equal to 4.29 percent per annum through July 1, 2037, the final scheduled maturity date.

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

Certificates of Participation Payable – Schedule of Payments.

The following is a schedule of future payments payable under the certificate of participation agreements as of June 30, 2022:

Fiscal Year ending June 30	Certificates Principal	Certificates Interest	Direct Placements Principal	Direct Placements Interest
2023	$ 4,885,000	$ 5,819,250	$ 5,880,000	$ 3,966,244
2024	5,125,000	5,569,000	5,000,000	3,785,313
2025	5,665,000	5,299,250	5,140,000	3,573,424
2026	5,970,000	5,008,375	5,310,000	3,354,897
2027	6,285,000	4,702,000	5,480,000	3,129,043
2028–2032	36,585,000	18,329,500	30,215,000	11,978,580
2033–2037	38,700,000	8,439,488	35,450,000	5,083,480
2038–2042	10,445,000	3,415,350	5,430,000	124,385
2043–2047	7,815,000	1,533,900	-	-
2048–2052	3,585,000	144,700	-	-
Total Minimum Payments	125,060,000	$ 58,260,813	97,905,000	$ 34,995,366
Unamortized Premium	6,642,321		-	
Certificates of Participation Payable	$ 131,702,321		$ 97,905,000	

Covenants. All of the Notes, Bonds, Certificates, and the Mortgage Loan are subject to certain covenants and other commitments. The Board of Directors has adopted a written Board of Trustees Debt Management Policy.

Reserve Funds. The terms of the various bond agreements require the Corporation to set aside certain funds for debt service payments and for facility renewal and replacement reserves. Such funds amounted to $41,569,552 at June 30, 2022, and are included in restricted cash and cash equivalents on the USF Finance Corporation's Statement of Net Position.

Interest Rate Swap Agreements. The USF Financing Corporation has exclusively entered into "pay-fixed" interest rate swap agreements to limit its exposure to interest rate risk over the agreed term of the swap. The USF Financing Corporation has effectively fixed the interest rate on its variable rate debt with interest rate swaps. At June 30, 2022, the USF Financing Corporation had one outstanding interest rate swap agreement, the Series 2012B swap agreement.

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

The following table summarizes the USF Financing Corporation's outstanding interest rate swap and the related fair value as of June 30, 2022:

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, 2021	Cash Flow
Series 2012B	Royal Bank of Canada	$ 73,700,000	$ 51,125,000	9-25-07	30	3.939	$ (6,413,863)	$ (1,977,877)

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, 2022, was ($6,746,442). 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, 2022, of ($6,413,863) 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, 2022, was $7,374,344 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, 2022:

Fiscal Year Ending June 30	**Interest**
2023	$ 1,920,262
2024	1,822,772
2025	1,722,328
2026	1,617,944
2027	1,509,622
2028–2032	5,763,742
2033–2037	2,349,614
Total Interest Payments	$ 16,706,284

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

As of June 30, 2022, the total posted collateral was $0.

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 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The University’s FRS and HIS pension expense totaled $7,125,939 for the fiscal year ended June 30, 2022.

FRS Pension Plan

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

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

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021-22 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	10.82
FRS, Senior Management Service	3.00	29.01
FRS, Special Risk	3.00	25.89
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.34
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 $35,082,441 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the University reported a liability of $60,015,374 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The University's proportionate share of the net pension liability was based on the University's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the University's proportionate share was 0.794499064 percent, which was a decrease of 0.022558186 from its proportionate share measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of $146,075. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,286,731	$ -
Change of assumptions	41,065,494	-
Net difference between projected and actual earnings on FRS Plan investments	-	209,378,556
Changes in proportion and differences between University contributions and proportionate share of contributions	5,650,062	10,482,030
University FRS contributions subsequent to the measurement date	35,082,441	-
Total	$ 92,084,728	$ 219,860,586

The deferred outflows of resources totaling $35,082,441, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2023	$ (27,999,512)
2024	(32,782,285)
2025	(44,339,695)
2026	(57,212,202)
2027	(524,605)
Total	$ (162,858,299)

Actuarial Assumptions. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100.0%			
Assumed inflation - Mean			2.4%	1.2%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2021 valuation was unchanged from the previous valuation.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
University's proportionate share of the net pension liability	$268,392,775	$60,015,374	$(114,164,769)

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

Payables to the Pension Plan. At June 30, 2022, the University reported a payable of $1,906,887 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2022.

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, and may be amended by the Florida Legislature at any time. 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, 2022, 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, 2022, 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 $4,122,100 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the University reported a liability of $88,966,439 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The University's proportionate share of the net pension liability was based on the University's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the University's proportionate share was 0.725279532 percent, which was a decrease of 0.015990992 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the University recognized pension expense of $6,979,864. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 2,977,042	$ 37,263
Change of assumptions	6,990,771	3,665,644
Net difference between projected and actual earnings on HIS Plan investments	92,745	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	2,040,399	2,938,861
University HIS contributions subsequent to the measurement date	4,122,100	-
Total	$ 16,223,057	$ 6,641,768

The deferred outflows of resources totaling $4,122,100, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2023	$ 2,021,436
2024	532,758
2025	981,465
2026	1,228,777
2027	633,937
Thereafter	60,816
Total	$ 5,459,189

Actuarial Assumptions. The total pension liability at July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.16 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

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

Discount Rate. The discount rate used to measure the total pension liability was 2.16 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2021 valuation was updated from 2.21 percent to 2.16 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 2.16 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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	**Current Discount Rate (2.16%)**	**1% Increase (3.16%)**
University's proportionate share of the net pension liability	$102,853,821	$88,966,439	$77,588,835

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 Annual Comprehensive Financial Report.

Payables to the Pension Plan. At June 30, 2022, the University reported a payable of $303,222 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2022.

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 Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2021-22 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, 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 $9,632,184 for the fiscal year ended June 30, 2022.

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, 4.19 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.34 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 $30,969,900, and employee contributions totaled $17,661,170 for the 2021-22 fiscal year.

16. Construction Commitments

The University's major construction commitments at June 30, 2022, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Judy Genshaft Honors College	$ 59,231,006	$ 35,870,432	$ 23,360,574
USF Wellness Center Complex	29,951,664	13,099,558	16,852,106
USF Indoor Performance Facility	24,566,656	12,362,644	12,204,012
ESCO Projects	19,792,666	284,721	19,507,945
Subtotal	133,541,992	61,617,355	71,924,637
Other Projects (1)	71,277,690	20,389,053	50,888,637
Total	$ 204,819,682	$ 82,006,408	$ 122,813,274

(1) Individual projects with a current balance committed of less than $4 million at June 30, 2022.

17. State Self-Insurance Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2021-22 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $57.5 million for named windstorm and flood through February 14, 2022, and decreased to $56.3 million starting February 15, 2022. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $167.5 million through February 14, 2022, and increased to $168.7 million starting February 15, 2022; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

18. University Self-Insurance Program

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

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

The Program's estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. Changes in the Program's claim liability amount for the fiscal years ended June 30, 2021, and June 30, 2022, are presented in the following table:

Fiscal Year	Claims Liability Beginning of Year	Claims and Changes in Estimates	Claim Payments	Claims Liability End Of Year
2020-21	$ 30,572,671	$ 3,714,349	$ (2,092,673)	$ 32,194,347
2021-22	32,194,347	1,063,606	(1,288,963)	31,968,990

19. Litigation

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

20. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 396,886,310
Research	339,477,614
Public Services	15,378,789
Academic Support	149,508,129
Student Services	58,078,732
Institutional Support	94,524,362
Operation and Maintenance of Plant	74,344,566
Scholarships, Fellowships, and Waivers	162,870,270
Depreciation	86,032,247
Auxiliary Enterprises	156,410,107
Loan Operations	76,982
Total Operating Expenses	$ 1,533,588,108

21. Segment Information

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

Condensed Statement of Net Position

	Parking Facilities
Assets	
Current Assets	$ 16,203,323
Capital Assets, Net	33,266,142
Other Noncurrent Assets	12,095,404
Total Assets	61,564,869
Deferred Outflows of Resources	1,194,782
Liabilities	
Current Liabilities	2,818,131
Noncurrent Liabilities	7,489,039
Total Liabilities	10,307,170
Deferred Inflows of Resources	1,874,437
Net Position	
Net Investment in Capital Assets	26,287,226
Restricted - Expendable	12,628,697
Unrestricted	11,662,121
Total Net Position	$ 50,578,044

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

	Parking Facilities
Operating Revenues	$ 13,396,406
Depreciation Expense	(1,734,371)
Other Operating Expenses	(8,074,083)
Operating Income	3,587,952
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	120,141
Interest Expense	(225,801)
Net Nonoperating Expenses	(105,660)
Income Before Other Revenues	3,482,292
Transfers from Other University Funds	50,843
Increase in Net Position	3,533,135
Net Position, Beginning of Year	47,044,909
Net Position, End of Year	$ 50,578,044

Condensed Statement of Cash Flows

	Parking Facilities
Net Cash Provided (Used) by:	
Operating Activities	$ 5,088,474
Capital and Related Financing Activities	(2,962,821)
Investing Activities	(1,104,462)
Net Increase in Cash and Cash Equivalents	1,021,191
Cash and Cash Equivalents, Beginning of Year	2,555,088
Cash and Cash Equivalents, End of Year	$ 3,576,279

22. Blended Component Unit

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

Condensed Statement of Net Position

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Other Current Assets	$ 11,729,518	$ 938,799,555	$ -	$ 950,529,073
Capital Assets, Net	2,800	1,316,567,635	-	1,316,570,435
Other Noncurrent Assets	70,501,078	31,673,004	-	102,174,082
Total Assets	82,233,396	2,287,040,194	-	2,369,273,590
Deferred Outflows of Resources	-	276,916,726	-	276,916,726
Liabilities:				
Other Current Liabilities	1,456,561	188,395,701	-	189,852,262
Noncurrent Liabilities	30,566,990	1,032,672,325	-	1,063,239,315
Total Liabilities	32,023,551	1,221,068,026	-	1,253,091,577
Deferred Inflows of Resources	-	567,522,561	-	567,522,561
Net Position:				
Net Investment in Capital Assets	2,800	923,680,205	-	923,683,005
Restricted - Expendable	50,207,045	182,124,908	-	232,331,953
Unrestricted	-	(330,438,780)	-	(330,438,780)
Total Net Position	$ 50,209,845	$ 775,366,333	$ -	$ 825,576,178

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

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Operating Revenues	$ 5,728,664	$ 889,042,782	$ (614,073)	$ 894,157,373
Depreciation Expense	(652)	(86,031,595)	-	(86,032,247)
Other Operating Expenses	(5,055,159)	(1,443,114,775)	614,073	(1,447,555,861)
Operating Income (Loss)	672,853	(640,103,588)	-	(639,430,735)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	-	737,046,653	-	737,046,653
Interest Expense	-	(11,961,922)	-	(11,961,922)
Other Nonoperating Expense	(6,451,841)	(97,183,526)	-	(103,635,367)
Net Nonoperating Revenues (Expenses)	(6,451,841)	627,901,205	-	621,449,364
Other Revenues	-	47,332,383	-	47,332,383
Increase (Decrease) in Net Position	(5,778,988)	35,130,000	-	29,351,012
Net Position, Beginning of Year	55,988,833	740,236,333	-	796,225,166
Net Position, End of Year	$ 50,209,845	$ 775,366,333	$ -	$ 825,576,178

Condensed Statement of Cash Flows

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 2,330,246	$ (582,559,839)	$ -	$ (580,229,593)
Noncapital Financing Activities	-	720,029,810	-	720,029,810
Capital and Related Financing Activities	(1,422)	(34,733,792)	-	(34,735,214)
Investing Activities	(2,511,102)	(78,686,695)	-	(81,197,797)
Net Increase (Decrease) in Cash and Cash Equivalents	(182,278)	24,049,484	-	23,867,206
Cash and Cash Equivalents, Beginning of Year	2,895,471	67,467,722	-	70,363,193
Cash and Cash Equivalents, End of Year	$ 2,713,193	$ 91,517,206	$ -	$ 94,230,399

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23. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations			
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.
Assets:				
Current Assets	$ 138,659,643	$ 828,442	$ 2,833,288	$ 3,910,764
Capital Assets, Net	16,108,953	-	14,617,230	614,212
Other Noncurrent Assets	664,979,540	8,851,560	152,168	-
Total Assets	819,748,136	9,680,002	17,602,686	4,524,976
Deferred Outflows of Resources	-	-	98,816	-
Liabilities:				
Current Liabilities	2,730,450	435,169	3,603,143	2,733,125
Noncurrent Liabilities	4,460,146	2,431,286	10,394,634	2,453,622
Total Liabilities	7,190,596	2,866,455	13,997,777	5,186,747
Deferred Inflows of Resources	26,063,769	18,245	721,736	-
Net Position:				
Net Investment in Capital Assets	12,569,363	-	3,150,765	614,212
Restricted Nonexpendable	387,717,949	1,119,248	-	-
Restricted Expendable	359,332,623	451,631	-	-
Unrestricted	26,873,836	5,224,423	(168,776)	(1,275,983)
Total Net Position	$ 786,493,771	$ 6,795,302	$ 2,981,989	$ (661,771)

(1) The USF Financing Corporation's and USF Property Corporation's financial statements were consolidated due to the USF Financing Corporation's ongoing economic interest in the USF Property Corporation and its ability to control the activities of the USF Property Corporation through common boards of directors.

Direct-Support Organizations				Health Services Support Organization	
USF Institute of Applied Engineering, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	University Health Services Support Organization, Inc.	Total
$ 4,296,150	$ 26,318,765	$ 21,646,327	$ 151,993,937	$ -	$ 350,487,316
909,506	67,418,631	-	64,805,801	-	164,474,333
-	92,748,039	331,286,808	20,872,646	521,594	1,119,412,355
5,205,656	186,485,435	352,933,135	237,672,384	521,594	1,634,374,004
-	-	7,271,962	-	-	7,370,778
4,386,967	12,834,811	23,611,301	59,994,310	439,587	110,768,863
173,833	39,766,926	314,749,149	54,286,271	-	428,715,867
4,560,800	52,601,737	338,360,450	114,280,581	439,587	539,484,730
-	56,032,123	18,358	23,286,014	-	106,140,245
666,073	25,629,915	-	5,617,445	-	48,247,773
-	-	-	-	-	388,837,197
-	2,513,917	17,768,237	-	-	380,066,408
(21,217)	49,707,743	4,058,052	94,488,344	82,007	178,968,429
$ 644,856	$ 77,851,575	$ 21,826,289	$ 100,105,789	$ 82,007	$ 996,119,807

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

	Direct-Support Organizations			
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.
Operating Revenues	$ 67,218,417	$ 2,170,769	$ 16,117,705	$ 4,481,206
Operating Expenses	(97,697,533)	(2,389,200)	(16,213,186)	(4,051,586)
Operating Income (Loss)	(30,479,116)	(218,431)	(95,481)	429,620
Net Nonoperating Revenues (Expenses)	(90,155,625)	(1,443,051)	598,216	(413,358)
Other Revenues	17,898,100	52,845	-	-
Increase (Decrease) in Net Position	(102,736,641)	(1,608,637)	502,735	16,262
Net Position, Beginning of Year	889,230,412	8,403,939	2,479,254	(678,033)
Adjustment to Beginning Net Position (2)	-	-	-	-
Net Position, Beginning of Year, as Restated	889,230,412	8,403,939	2,479,254	(678,033)
Net Position, End of Year	$ 786,493,771	$ 6,795,302	$ 2,981,989	$ (661,771)

(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) The beginning net position of the USF Financing Corporation was adjusted due to the adoption of GASB Statement No. 87. Additional information regarding the adjustment may be found in note 3. of the USF Financing Corporation's June 30, 2022, financial statements.

Direct-Support Organizations				Health Services Support Organization	
USF Institute of Applied Engineering, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	University Health Services Support Organization, Inc.	Total
$ 8,971,726	$ 14,022,116	$ 15,916,092	$ 367,127,120	$ -	$ 496,025,151
(9,553,935)	(14,670,850)	(1,404,516)	(335,679,945)	(13,701)	(481,674,452)
(582,209)	(648,734)	14,511,576	31,447,175	(13,701)	14,350,699
664,256	(17,391,918)	(10,453,434)	(2,763,408)	97,113	(121,261,209)
-	-	-	-	-	17,950,945
82,047	(18,040,652)	4,058,142	28,683,767	83,412	(88,959,565)
562,809	95,892,227	21,270,888	71,422,022	(1,405)	1,088,582,113
-	-	(3,502,741)	-	-	(3,502,741)
562,809	95,892,227	17,768,147	71,422,022	(1,405)	1,085,079,372
$ 644,856	$ 77,851,575	$ 21,826,289	$ 100,105,789	$ 82,007	$ 996,119,807

24. Subsequent Events

On June 30, 2022, the University closed on a second Performance Contracting Agreement with Siemens Industry, Inc. for the purpose of replacing aging equipment, improving utility efficiency, and reducing annual maintenance costs. The related financing for this project closed with Banc of America Public Capital Corp on July 7, 2022. This Energy Service Company (ESCO) equipment purchase agreement will be accounted for as an installment purchase payable in the 2022-23 fiscal year. The University's second Siemens ESCO Project is for the amount of $9,898,672 with the stated interest rate of 2.9 percent.

On May 5, 2022, the USF Financing Corporation Board of Directors authorized the issuance of debt in an amount not to exceed $30 million to finance the costs to construct and equip a mixed-use student housing and student center facility to be located on the Sarasota-Manatee campus of the University. The University of South Florida anticipates contributing $16.5 million to pay for a significant portion of the student center portion of the project. Following the approval of the debt by the USF Board of Trustees on June 15, 2022, and approval by the Florida Board of Governors on September 14, 2022, the USF Financing Corporation Board of Directors authorized the execution of closing documents on September 16, 2022. On October 31, 2022, the debt was sold through a public issuance at a tax-exempt, all-in fixed interest rate of 4.85 percent, was issued on parity with USF Financing Corporation's outstanding Housing bonds, and will mature on July 1, 2052.

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

	2021	2020	2019	2018
University's proportion of the total other postemployment benefits liability	5.20%	5.09%	4.39%	4.13%
University's proportionate share of the total other postemployment benefits liability	$ 547,766,057	$ 523,378,900	$ 556,271,661	$ 435,779,000
University's covered-employee payroll	$ 575,529,744	$ 576,330,586	$ 566,991,383	$ 539,620,556
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	95.18%	90.81%	98.11%	80.76%

2017	2016
4.13%	4.07%
$ 446,394,000	$ 480,770,000
$ 512,542,210	$ 490,228,479
87.09%	98.07%

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

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)
University's proportion of the FRS net pension liability	0.794499064%	0.817057250%	0.844746094%	0.829635447%
University's proportionate share of the FRS net pension liability	$ 60,015,374	$ 354,124,653	$ 290,918,794	$ 249,890,497
University's covered payroll (2)	$ 575,529,744	$ 576,330,586	$ 566,991,383	$ 539,620,556
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	10.43%	61.44%	51.31%	46.31%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.40%	78.85%	82.61%	84.26%

(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

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
Contractually required FRS contribution	$ 35,082,441	$ 30,391,134	$ 27,147,192	$ 26,352,406
FRS contributions in relation to the contractually required contribution	(35,082,441)	(30,391,134)	(27,147,192)	(26,352,406)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 579,907,971	$ 575,529,744	$ 576,330,586	$ 566,991,383
FRS contributions as a percentage of covered payroll	6.05%	5.28%	4.71%	4.65%

(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.

2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
0.775094790%	0.763712910%	0.764319997%	0.718476151%	0.558052129%
$ 229,267,838	$ 192,838,109	$ 98,722,179	$ 43,837,611	$ 96,065,609
$ 512,542,210	$ 490,228,479	$ 466,345,909	$ 443,554,247	$ 431,524,683
44.73%	39.34%	21.17%	9.88%	22.26%
83.89%	84.88%	92.00%	96.09%	88.54%

2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
$ 23,643,944	$ 20,316,942	$ 18,547,490	$ 18,634,771	$ 15,737,677
(23,643,944)	(20,316,942)	(18,547,490)	(18,634,771)	(15,737,677)
$ -	$ -	$ -	$ -	$ -
$ 539,620,556	$ 512,542,210	$ 490,228,479	$ 466,345,909	$ 443,554,247
4.38%	3.96%	3.78%	4.00%	3.55%

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

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)
University's proportion of the HIS net pension liability	0.725279532%	0.741270524%	0.759945329%	0.744056081%
University's proportionate share of the HIS net pension liability	$ 88,966,439	$ 90,507,924	$ 85,030,277	$ 78,751,731
University's covered payroll (2)	$ 251,433,462	$ 252,048,838	$ 250,178,460	$ 238,582,447
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.38%	35.91%	33.99%	33.01%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.56%	3.00%	2.63%	2.15%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
Contractually required HIS contribution	$ 4,122,100	$ 4,173,795	$ 4,271,595	$ 4,160,779
HIS contributions in relation to the contractually required HIS contribution	(4,122,100)	(4,173,795)	(4,271,595)	(4,160,779)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 248,319,284	$ 251,433,462	$ 252,048,838	$ 250,178,460
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.69%	1.66%

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

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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
	0.734647326%	0.726023325%	0.706815530%	0.668866670%	0.662647783%
	$ 78,551,882	$ 84,615,011	$ 72,084,066	$ 62,540,666	$ 57,692,202
	$ 229,109,865	$ 220,376,032	$ 208,898,281	$ 194,843,828	$ 189,351,023
	34.29%	38.40%	34.51%	32.10%	30.47%
	1.64%	0.97%	0.50%	0.99%	1.78%

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
	$ 4,035,035	$ 3,803,232	$ 3,647,462	$ 2,701,889	$ 2,291,312
	(4,035,035)	(3,803,232)	(3,647,462)	(2,701,889)	(2,291,312)
	$ -	$ -	$ -	$ -	$ -
	$ 238,582,447	$ 229,109,865	$ 220,376,032	$ 208,898,281	$ 194,843,828
	1.69%	1.66%	1.66%	1.29%	1.18%

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

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

Changes of Assumptions. The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate decreased from 2.66 percent to 2.18 percent.

In addition, retirement, termination, disability, and salary scale increase rates were updated based on those used in Milliman's July 1, 2019, actuarial valuation of the Florida Retirement System. The retiree medical election percentage was also updated to align with plan experience from 2016 through 2020. Refer to Note 12. to the financial statements for further detail.

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

Changes of Assumptions. In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

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

Changes of Assumptions. In 2021, the municipal rate used to determine total pension liability decreased from 2.21 percent to 2.16 percent.

Sherrill F. Norman, CPA
Auditor General

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Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 15, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the aggregate discretely presented component unit auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the blended component unit or that are reported on separately by those auditors who audited the financial statements of the blended component unit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
December 15, 2022