

UNIVERSITY OF SOUTH FLORIDA PARKING FACILITY REVENUE BONDS

Maturity Date	CUSIPS Numbers
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**ANNUAL FINANCIAL INFORMATION
AND OPERATING DATA
SUBMITTED PURSUANT TO RULE 15c2-12
OF THE SECURITIES AND EXCHANGE COMMISSION
FOR THE**

**STATE OF FLORIDA
BOARD OF GOVERNORS
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE REFUNDING BONDS,
SERIES 2016A**

for Fiscal Year ending June 30, 2021

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* Includes Statement of Net Position (unaudited) (formerly referred to as Historical Summary of Balance Sheet Data) and Statement of Revenues, Expenses, and Changes in Net Position (unaudited) (formerly referred to as Historical Statement of Revenues and Expenditures).

I. Campus Population and Parking Spaces.

Tampa Campus Population and Parking Spaces

<u>Fall Semester of Academic Year</u>	<u>Student Headcount Enrollment</u>	<u>Total Personnel Headcount¹</u>	<u>Total Vehicle Spaces</u>
2016-17	42,925	17,344	20,708
2017-18	43,675	17,838	20,530
2018-19	43,967	18,087	20,370
2019-20	44,351	18,170	20,743
2020-21	44,452	17,961	20,763

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¹ Includes both full-time and part-time personnel.

II. Number and Costs of Parking Decals Issued, Parking Decal Costs by Type, and Student Parking Transportation Access Fee²

Parking Decal Types	2017	2018	2019	2020	2021³
Student Annual					
Number Issued	13,945	13,794	13,893	12,787	3,388
Cost	\$183	\$183	\$183	\$183	\$183
Student Semester					
Number Issued	16,764	16,849	16,971	13,744	5,947
Cost	\$91	\$91	\$91	\$91	\$91
Resident Student Annual					
Number Issued	1,594	1,769	2,010	2,257	981
Cost	\$226	\$226	\$226	\$226	\$226
Resident Student Semester					
Number Issued	2,776	2,761	2,892	2,320	2,796
Cost	\$113	\$113	\$113	\$113	\$113
Staff Annual					
Number Issued	5,152	5,217	5,378	5,201	3,234
Cost	\$270	\$270	\$270	\$270	\$270
Staff Semester					
Number Issued	1,129	1,190	1,186	990	747
Cost	\$135	\$135	\$135	\$135	\$135
Staff Gold Annual⁴					
Number Issued	1,281	1,284	1,336	1,295	863
Cost	\$450	\$450	\$450	\$450	\$450
Moffitt/Affiliate Annual					
Number Issued	1,000	1,000	700	700	800
Cost	\$305	\$305	\$305	\$305	\$305
Moffitt/Affiliate Annual Gold					
Number Issued	290	290	290	290	752
Cost	\$494	\$494	\$494	\$494	\$494
Vendor Annual					
Number Issued	182	195	144	103	183
Cost	\$356	\$356	\$356	\$356	\$356
Reserved					
Number Issued	1,234	1,231	1,307	1,415	715
Cost	\$1,076	\$1,076	\$1,076	\$1,076	\$1,076
Park n Ride					
Number Issued	1,577	1,446	1,433	1,276	871
Cost	\$59	\$59	\$59	\$59	\$59
Motorcycle					
Number Issued	236	240	241	172	52
Cost	\$62	\$62	\$62	\$62	\$62
Alumni Annual					
Number Issued	41	36	37	29	14
Cost	\$88	\$88	\$88	\$88	\$88
Friends of USF Annual					
Number Issued	36	40	42	44	25
Cost	\$290	\$290	\$290	\$290	\$290
Friends of USF Semester					
Number Issued	31	27	27	15	9
Cost	\$145	\$145	\$145	\$145	\$145
Total Number of Decals Issued	47,269	47,369	47,887	42,638	21,377
Student Transportation Access Fee					
Per Credit Hour Fee	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Student Credit Hours	1,061,890	1,073,840	1,067,858	917,298	1,082,554

² Decal costs shown do not include (but are subject to) State sales tax. This table includes all major decal types. The University sells various other minor categories of decals such as vendor and temporary decals. These other categories account for less than two percent of Parking System Revenues.

³ Decline in decal sales from 2020 to 2021 primarily attributable to student preference for remote instructional delivery and staff continuing to work remotely.

⁴ This decal allows staff members access to certain designated lots on campus (currently there are 6 gold lots). The number of gold permits sold directly corresponds to the available spaces in gold lots; consequently, those staff members possessing a gold decal are guaranteed an available parking space.

III. Comparison of Budget to Actual for Fiscal Year

This information has been prepared by the University for internal management purposes only and has not been audited.

University of South Florida Parking System
Comparison of Budget to Actual
for Fiscal Years Ended June 30, 2017 through 2021
Accrual Basis^{5,6} (Unaudited)

	2016-17			2017-18			2018-19			2019-20			2020-21		
	Budget	Actual	Difference	Budget	Actual	Difference	Budget	Actual	Difference	Budget	Actual	Difference	Budget	Actual	Difference
Revenues															
Decal Sales ⁷	\$10,658,004	\$10,643,029	(\$14,975)	\$10,713,525	\$11,089,782	\$376,257	\$10,689,525	\$11,218,610	\$529,085	\$10,574,525	\$9,798,147	(\$776,378) ⁷	\$10,257,025	\$5,846,244	(\$4,410,781)
Transportation Access Fees	3,359,924	3,185,670	(174,254)	3,079,430	3,221,520	142,090	3,141,872	3,203,573	61,701	3,156,552	2,751,894	(404,658)	3,193,825	3,247,664	(53,839)
Nongovernmental Grants and Contracts	0	380	380	0	425	425	0	0	0	0	0	0	0	0	0
Total Revenues	\$14,017,928	\$13,829,079	(\$188,849)	\$13,792,955	\$14,311,727	\$518,772	\$13,831,397	\$14,422,183	\$590,786	\$13,731,077	\$12,550,041	(\$1,181,036)	\$13,450,850	\$9,093,908	(\$4,356,942)
Operating Expenses															
Total Payroll	\$4,439,779	\$4,268,129	(\$171,650)	\$4,638,171	\$4,415,696	(\$222,475)	\$4,402,965	\$4,290,938	(\$112,027)	\$5,013,604	\$4,848,276	(\$165,328)	\$4,964,261	\$4,392,639	(\$571,622) ⁸
Regular Expenses	6,555,530	4,443,719	(2,111,811) ⁶	7,085,438	4,981,967	(2,103,471) ⁶	6,765,171	4,865,596	(1,899,575) ⁹	6,783,232	4,621,217	(2,162,015) ⁸	7,740,979	4,341,447	(3,399,532) ¹⁰
Total Expenses	\$10,995,309	\$8,711,848	(\$2,283,461)	\$11,723,609	\$9,397,662	(\$2,325,947)	\$11,168,136	\$9,156,534	(\$2,011,602)	\$11,796,836	\$9,469,493	(\$2,327,343)	\$12,705,240	\$8,734,086	(\$3,971,154)
Other Income (Expenses):															
Capital Outlay ¹															
Depreciation Expenses/Gain Loss on Disposal ¹	(1,582,838)	(1,582,838)	-	(1,564,871)	(1,564,871)	-	(1,642,041)	(1,642,041)	-	(1,632,619)	(1,632,619)	-	(1,677,814)	(1,677,814)	-
Interest Income	85,860	148,135	62,275	101,541	389,393	287,852	304,000	689,311	385,311	302,000	515,694	213,694	200,000	122,502	(77,498)
Interest Expense	(755,201)	(755,201)	-	(662,875)	(452,841)	210,034	(386,430)	(397,951)	(11,521)	(330,330)	(341,851)	(11,521)	(272,910)	(284,431)	(11,521)
Miscellaneous	(147,389)	(149,389)	(2,000)	-	3,240	3,240	-	-	-	-	-	-	-	688,093	688,093
Total Other Income	(\$2,399,568)	(\$2,339,293)	\$60,275	(\$2,126,205)	(\$1,625,078)	\$501,127	(\$1,724,471)	(\$1,350,681)	\$373,790	(\$1,660,949)	(\$1,458,776)	\$202,173	(\$1,750,724)	(\$1,151,650)	\$599,074
Net Revenue (Loss)	\$623,051	\$2,777,938	\$2,154,887	(\$56,859)	\$3,288,986	\$3,345,845	\$938,790	\$3,914,968	\$2,976,178	\$273,292	\$1,621,772	\$1,348,480	(\$1,005,114)	(\$791,828)	\$213,286

⁵ The University has an accrual basis system. Expenses for capital outlay are capitalized on the balance sheet and corresponding depreciation expense are reflected in this schedule.

⁶ Totals may not foot due to rounding.

⁷ Also includes meter collections, citation collections, vending permit collections and transportation collections, which are not budgeted separately, but are combined with Decal Sales for budgeting purposes.

⁷ The large variances in budgeted versus actual Decal Sales in 2019-20 and 2020-21 was due to the reduction in campus population related to the pandemic.

⁸ The large variance in budgeted versus actual Total Payroll in 2020-21 was due to an increase in vacant positions resulting in decreased expenses for other postemployment benefits, wages, and compensated absences.

⁹ The large variances in budgeted versus actual Regular Expenses in 2016-17, 2017-18 and 2018-19 was due to special projects that were deferred, utility savings, lower than anticipated Upass expenses, and budgeted expenses that were subsequently capitalized.

¹⁰ The large variance in budgeted versus actual Regular Expenses in 2020-21 was due to special projects that were deferred and due to a reduction in expenses resulting from business changes.

IV. Admission and Registration Headcounts and Percentages by Type of Student

	Fall 2017	Fall 2018	Fall 2019 ⁹	Fall 2020 ¹⁰	Fall 2021 ¹¹
All Students:					
Applicants	64,579	63,104	63,331	59,607	73,153
Admitted	26,926	25,295	27,132	25,458	30,811
% of Applicants Admitted	41.7%	40.1%	42.8%	42.7%	42.1%
Enrolled	11,856	11,632	11,626	10,882	11,672
% of Admitted Enrolled	44.0%	46.0%	42.8%	42.7%	37.9%
First-Time-in-College:					
Applicants	29,132	30,833	32,216	28,111	39,295
Admitted	11,190	11,375	13,697	11,585	16,882
% of Applicants Admitted	38.4%	36.9%	42.5%	41.2%	43.0%
Enrolled	3,063	3,282	3,765	3,234	4,143
% of Admitted Enrolled	27.4%	28.9%	27.5%	27.9%	24.5%
Florida College System Transfers:					
Applicants	6,992	6,191	5,847	5,889	5,356
Admitted	5,309	4,557	4,152	4,285	4,133
% of Applicants Admitted	75.9%	73.6%	71.0%	72.8%	77.2%
Enrolled	3,128	3,115	2,808	2,674	2,524
% of Admitted Enrolled	58.9%	68.4%	67.6%	62.4%	61.1%
Other Undergraduate Transfers:					
Applicants	5,818	5,063	4,882	4,884	5,538
Admitted	2,986	2,606	2,326	2,392	2,894
% of Applicants Admitted	51.3%	51.5%	47.6%	49.0%	52.3%
Enrolled	1,629	1,550	1,323	1,237	1,429
% of Admitted Enrolled	54.6%	59.5%	56.9%	51.7%	49.4%
Other Transfers:¹²					
Applicants	956	770	1,174	1,071	1,120
Admitted	691	534	813	752	833
% of Applicants Admitted	72.3%	69.4%	69.3%	70.2%	74.4%
Enrolled	269	241	277	251	229
% of Admitted Enrolled	38.9%	45.1%	34.1%	33.4%	27.5%
Graduate:					
Applicants	13,010	12,513	12,142	13,070	14,441
Admitted	6,031	5,501	5,405	5,708	5,499
% of Applicants Admitted	46.4%	44.0%	44.5%	43.7%	38.1%
Enrolled	3,346	3,033	3,066	3,080	3,031
% of Admitted Enrolled	55.5%	55.1%	56.7%	54.0%	55.1%
Professional Schools:					
Applicants	8,671	7,734	7,070	6,582	7,403
Admitted	719	722	739	736	570
% of Applicants Admitted	8.3%	9.3%	10.5%	11.2%	7.7%
Enrolled	421	411	387	406	316
% of Admitted Enrolled	58.6%	56.9%	52.4%	55.2%	55.4%

⁹ Revised from previous filing to reflect final numbers.

¹⁰ Revised from previous filing to reflect final numbers.

¹¹ Preliminary.

¹² Includes post Bachelor's degree seeking and non-degree seeking transfers.

V. Headcount and Full-Time Equivalent Enrollment (FTE) by Level¹³

Headcount Enrollment by Level

<u>Fall</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Annual Total</u>
2017	38,124	12,660	50,784
2018	38,472	12,381	50,853
2019	38,804	12,278	51,082
2020 ¹⁴	38,738	12,065	50,803
2021	38,198	11,669	49,867

**Fall FTE Enrollment
(All Campuses)**

<u>Level</u>					<u>Status of FTE</u>		
<u>Fall</u>	<u>Undergrad</u>	<u>Graduate</u>	<u>Professional</u>	<u>Total</u>	<u>Full-Time</u>	<u>Part-Time</u>	<u>Total</u>
2017	32,439	8,056	1,376	41,871	36,140	5,731	41,871
2018	32,628	7,738	1,421	41,787	35,945	5,842	41,787
2019	32,964	7,542	1,442	41,948	36,068	5,880	41,948
2020 ¹⁵	33,240	7,496	1,504	42,240	36,712	5,528	42,240
2021	32,688	7,171	1,514	41,373	35,860	5,513	41,373

Full-Time-Equivalent Enrollment by Level

The full-time equivalent (“FTE”) student calculation factor is a measure of student enrollment based on the number of student credit hours for which students enroll. FTE enrollment is determined by dividing the total number of hours enrolled by all students in a specific category by the appropriate hour requirement. The Florida Board of Governors calculates annual FTEs for the State University System as 30 credit hours for undergraduate students and 24 credit hours for graduate students during an academic year, which mirrors the Federal Government's Integrated Postsecondary Education Data System (“IPEDS”) methodology.

<u>Academic Year</u>	<u>Undergraduate</u>	<u>Graduate</u>	<u>Annual Total</u>
2016-17	34,215	8,734	42,949
2017-18	34,837	8,919	43,756
2018-19	34,992	8,856	43,848
2019-20	35,306	8,747	44,053
2020-21	35,596	8,848	44,444

¹³ The Board of Governors’ data governance policy, requires institutions to resubmit historical data when errors are found so policymakers have the most accurate data possible when making decisions. Institutional reporting procedures are audited annually with a focus on any resubmissions. This policy may lead to revisions to data when compared to prior disclosure filings.

¹⁴ Revised from previous filing to reflect final enrollment.

¹⁵ Revised from previous filing to reflect final enrollment.

VI. Historical Debt Service Coverage

University of South Florida Historical Parking Operations Debt Service Coverage¹⁶ Historical Debt Service Coverage from Pledged Revenues

Fiscal Year Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Pledged Revenues					
Decal Sales ¹⁷	\$10,643,409	\$11,090,207	\$11,218,610	\$9,798,147	\$5,846,244
Transportation Access Fees	<u>3,185,670</u>	<u>3,221,520</u>	<u>3,203,573</u>	<u>2,751,894</u>	<u>3,247,664</u>
Operating Revenues	\$13,829,079	\$14,311,727 ¹⁸	\$14,422,183	\$12,550,041 ¹⁹	\$9,093,908 ²⁰
Less Current Expenses					
Operating Expenses	10,277,262	10,939,854	10,798,575	11,097,334	10,411,900
Less Depreciation	(1,565,413)	(1,542,192)	(1,642,041)	(1,627,841)	(1,677,814)
Less Administrative Overhead	<u>(831,500)</u>	<u>(871,859)</u>	<u>(829,459)</u>	<u>(897,998)</u>	<u>(848,180)</u>
Total Current Expenses	7,880,349	8,525,803	8,327,075	8,571,495	7,885,906
Plus Interest Earnings ²¹	<u>148,135</u>	<u>389,393</u>	<u>689,311</u>	<u>515,694</u>	<u>122,502</u>
Total Pledged Revenues	\$6,096,866	\$6,175,317	\$6,784,419	\$4,494,240	\$1,330,504
Debt Service on the Outstanding Bonds	\$3,057,465	\$2,936,320	\$2,936,430	\$2,940,330	\$2,937,910
Pledged Revenues After Debt Service and Available for Other Expenses	\$3,039,401	\$3,238,997	\$3,847,989	\$1,553,910	(\$1,607,406) ²²
Maximum Annual Debt Service	\$3,057,465	\$2,940,330	\$2,940,330	\$2,937,910 ²³	\$2,929,280
Debt Service Coverage Ratios					
Annual Debt Service	1.99x	2.10x	2.31x	1.53x	0.45x ²²
Maximum Annual Debt Service	1.99x	2.10x	2.31x	1.53x	0.45x

¹⁶ Revenue and expense information was provided by the University and has not been audited. Reflects primary parking operations and does not include other components of parking activities reported in the segment financial statements for the Parking System as a whole.

¹⁷ Includes meter collections, citation collections, Nongovernmental grants and contracts, vending permit collections and transportation collections.

¹⁸ Increase is a result of increases in parking permit sales, parking fines, and transportation access fee revenue.

¹⁹ Decrease due to the University's decision in March 2020 to convert all classes to remote instruction for the remainder of the spring 2020 semester in response to COVID-19 pandemic and to waive the transportation access fee for the summer 2020 semester.

²⁰ Decrease due to declines in parking decals and parking fines, primarily attributable to students enrolling in remote classes in response to the COVID-19 pandemic.

²¹ Includes only interest earned on the operating account of the Existing Parking System.

²² The Parking System used unrestricted cash and investments of \$1.6 million to offset expenses. As of Fiscal Year end June 30, 2021, the parking system has \$13.7 million remaining in unrestricted cash and investments.

²³ Revised from previous filing.

Investment of Funds

All State funds are invested by either the Chief Financial Officer or the Board of Administration.

Funds Held Pursuant to the Resolution - The Resolution directs the manner in which funds held in the various funds may be invested. After collection, the Pledged Revenues are transferred to the Revenue Fund in an approved bank to be administered in accordance with the Resolution and applicable laws, and amounts required for debt service are transferred to the Sinking Fund held by the Board of Administration. See “Investment by the Chief Financial Officer” and “Investment by the Board of Administration” below.

Investment by the Chief Financial Officer – Funds held in the State Treasury are invested by internal and external investment managers. Funds held in the State Treasury are invested by internal and external investment managers. As of June 30, 2021, the ratio was approximately 60% internally managed funds, 34% externally managed funds, 1% Certificates of Deposit and 5% in an externally managed Security Lending program. The total portfolio market value on June 30, 2021, was \$44.577 billion.

Under State law, the Treasury is charged with investing funds of each State agency and the judicial branch. As of June 30, 2021, \$35.779 billion of the investments in the Treasury consisted of accounts held by State agencies that are required by law to maintain their investments in the Treasury; additionally, \$7.369 billion as of this date consisted of moneys held by certain boards, associations, or entities created by the State Constitution or by State law that are not required to maintain their investments with the Treasury and are permitted to withdraw these funds from the Treasury.

As provided by State law, the Treasury must be able to timely meet all disbursement needs of the State. Accordingly, the Treasury allocates its investments to provide for estimated disbursements plus a cushion for liquidity in instances of greater-than-expected disbursement demand.

To this end, a portion of Treasury’s investments are managed for short-term liquidity and preservation of principal. The remainder is managed to obtain maximum yield, given the safety parameters of State law and Treasury’s Comprehensive Investment Policy. Investments managed for short-term liquidity and preservation of principal are managed “internally” by Treasury personnel. The majority of investments managed for a maximum return are managed by “external” investment companies hired by the State.

The Externally Managed Investment Program provides long-term value while limiting risk appropriately and provides a backup source of liquidity. External investment strategy focuses on medium-term and long-term fixed income securities, rather than money market instruments, in order to take advantage of higher returns historically achieved by such securities. Portfolio managers are hired to actively manage funds. These funds may be invested in U.S. Treasury government agency obligations, investment grade corporate debt, municipal debt, mortgage backed securities, asset backed securities, and U.S. dollar denominated investment-grade foreign bonds that are registered with the Securities and Exchange Commission. The managers may also use leveraging techniques such as forward purchase commitments, and interest rate futures.

Investment by the Board of Administration – The Board of Administration manages investment of assets on behalf of the members of the Florida Retirement System (the “FRS”) Defined Benefit Plan. It also acts as sinking fund trustee for most State bond issues and oversees the management of FRS Investment Plan investment options, Florida Hurricane Catastrophe Fund moneys, a short-term investment pool for local governments, and smaller trust accounts on behalf of third party beneficiaries.

The Board of Administration adopts specific investment policy guidelines for the management of its funds which reflect the long-term risk, yield, and diversification requirements necessary to meet its fiduciary obligations. As of June 30, 2021, the Board of Administration directed the investment/administration of 26 funds.

As of June 30, 2021, the total market value of the FRS (Defined Benefit) Trust Fund was approximately \$199.6 billion. The Board of Administration pursues an investment strategy which allocates assets to different investment types. The long-term objective is to meet liability needs as determined by actuarial assumptions. Asset allocation levels are determined by the liquidity and cash flow requirements of the FRS, absolute and relative valuations of the asset class investments, and opportunities within those asset classes. Funds are invested internally and externally under a Defined Benefit Plan Investment Policy Statement.

The Board of Administration uses a variety of derivative products as part of its overall investment strategy. These products are used to manage risk or to execute strategies more efficiently or more cost effectively than could be done in the cash markets. They are not used to speculate in the expectation of earning extremely high returns. Any of the products used must be within investment policy guidelines designed to control the overall risk of the portfolio. The Board of Administration invests assets in 25 designated funds other than the FRS (Defined Benefit) Trust Fund. As of June 30, 2021, the total market value of these funds equaled approximately \$50.892 billion. Each fund is independently managed by the Board of Administration in accordance with the applicable documents, legal requirements and investment plans. Liquidity and preservation of capital are preeminent investment objectives for most of these funds, so investments for these are restricted to high quality money market instruments (e.g., cash, short-term treasury securities, certificates of deposit, banker's acceptances, and commercial paper). The term of these investments is generally short, but may vary depending upon the requirements of each trust and its investment plan.

Investment of bond sinking funds is controlled by the resolution authorizing issuance of a particular series of bonds. The Board of Administration's investment policy with respect to sinking funds is that only U.S. Treasury securities, and repurchase agreements backed thereby, be used.

**STATE OF FLORIDA
UNIVERSITY OF SOUTH FLORIDA
PARKING SERVICES**

**ANNUAL FINANCIAL REPORT
For the Fiscal Years Ended June 30, 2021 and 2020**

Unaudited

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Financial Statements

Management's Discussion and Analysis

Statement of Net Position

Statement of Revenues, Expenses, and Changes in Net Position

Statement of Cash Flows

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Management's Discussion and Analysis

Governance

The University of South Florida (the "University" or "USF") is a public educational institution accredited by the Commission on Colleges of the Southern Association of Colleges and Schools. The University is a part of the State University System and accordingly, the University is governed, regulated and coordinated by the Florida Board of Governors and the University Board of Trustees.

Financial Highlights

- Operating revenues from sales and services of \$9,093,908 reflects a decrease of \$3,456,133 (28%) from prior year's sales and services of \$12,550,041. This was a result of a significant reduction in the number of permits sold and the number of parking fines issued due to COVID-19.
- Interest earnings decreased \$393,191 (76%) due to the decrease of investment balances by \$3,540,003 (12%) and the decline in the rate earned on Parking System reserves, as follows:
 - FY 2021 – 0.40%
 - FY 2020 – 1.90%
 - FY 2019 – 2.40%
- Operating expenses reflected a decrease related to salaries and benefits of \$455,637 (9%), a decrease in regular expenses of \$229,952 (6%), a decrease in overhead expense of \$49,818 (6%), and an increase in depreciation of \$49,972 (3%).
- The significant reduction in revenue from sales and services as well as the decrease in interest income resulted in a decrease in Net Assets of \$791,828 (2%).
- Net cash provided by operating activities of \$246,401 directly corresponds to sales receipts net of operating expenses. Net cash provided by operating activities showed a decrease of approximately \$3.2 million (93%) due to the significant decrease in the sales receipts.
- The Parking System remains very solvent at June 30, 2021 with net assets of \$47 million, as total assets of \$62.6 million exceed total liabilities of \$15.6 million.
- Unrestricted cash and cash equivalents and investments of \$13.8 million provide excellent liquidity to the Parking System.
- The Parking System maintains restricted cash and investments of \$12 million for capital projects, debt service and renewal and replacement costs.

Overview of Financial Statements

The Parking System financial statements include the following financial elements:

- A Statement of Net Position provides detail for the assets of the Parking System as well as its outstanding liabilities. The difference between assets and liabilities is reported as net position. The net position presentation shows additional breakdowns of available resources of the Parking System versus those that are restricted. Changes in net position over time indicate an improving or deteriorating financial position.
- The Statement of Revenues, Expenses and Changes in Net Position, presents the revenues and expenses of the current fiscal year which resulted from operations. The net revenue less expense when combined with other non-operating sources such as interest income and interest expenses results in the net income to the Parking System generated for the fiscal year, which increased the Net Position presented on the Statement of Net Position.
- The Statement of Cash Flows shows those items that resulted in sources and uses of cash to the Parking System's cash balance for the fiscal year for both restricted and unrestricted cash. A reconciliation of the change in cash to the operating income of the Parking System is also included.
- The Notes to the Financial Statements provide background information that meets stringent governmental accounting reporting requirements and gives additional information that may not be readily seen on the actual statements. Examples of such information include: a summary of significant accounting policies, capital assets, compensated absences, and bond indebtedness. The notes are an integral part of the financial statements.

Analysis of Financial Statements

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets	\$ 14,149,208	\$ 17,495,727
Included: cash and cash equivalents	1,366,166	1,889,742
Investments	12,419,562	15,479,210
Capital assets	34,916,129	34,934,853
Restricted cash and cash equivalents	1,188,923	1,300,587
Restricted Investments	10,809,103	10,654,218
Total Assets	<u>\$ 61,063,363</u>	<u>\$ 64,385,385</u>
Deferred Outflow s of Resources	<u>\$ 1,552,431</u>	<u>\$ 1,256,861</u>
Total Assets & Deferred Outflow s of Resources	<u>62,615,794</u>	<u>65,642,246</u>
Liabilities		
Current liabilities	\$ 2,791,441	\$ 2,832,032
Noncurrent liabilities	11,677,133	14,410,598
Total Liabilities	<u>\$ 14,468,574</u>	<u>\$ 17,242,630</u>
Deferred Inflow s of Resources	<u>\$ 1,102,312</u>	<u>\$ 562,879</u>
Total Liabilities & Deferred Outflow s of Resources	<u>\$ 15,570,886</u>	<u>\$ 17,805,509</u>
Net Positon:		
Invested in capital assets, net of related debt	\$ 25,233,733	\$ 22,598,978
Restricted	12,340,903	12,656,219
Unrestricted	9,470,273	12,581,540
Total net position	<u>\$ 47,044,909</u>	<u>\$ 47,836,737</u>
Total operating revenues	<u>\$ 9,093,908</u>	<u>\$ 12,550,041</u>
Total operating expenses	<u>\$ 10,411,900</u>	<u>\$ 11,097,334</u>
Operating income	<u>\$ (1,317,992)</u>	<u>\$ 1,452,707</u>
Interest income	<u>\$ 122,502</u>	<u>\$ 515,694</u>
Interest/other expenses	<u>\$ (284,431)</u>	<u>\$ (341,851)</u>
Capital Appropriations	<u>\$ -</u>	<u>\$ -</u>
Transfers, net	<u>\$ 688,092</u>	<u>\$ -</u>
Change in net position	<u>\$ (791,828)</u>	<u>\$ 1,621,772</u>
Net cash provided by operating activities	<u>\$ 246,401</u>	<u>\$ 3,460,390</u>
Net cash provided/(used) by noncapital financing activities (transfers)	<u>\$ -</u>	<u>\$ -</u>
Net cash (used) by capital and related financing activities	<u>\$ (3,908,907)</u>	<u>\$ (3,923,507)</u>
Net cash provided (used) by investing activities	<u>\$ 3,027,265</u>	<u>\$ 1,704,352</u>
Net change in cash and cash equivalents	<u>\$ (635,241)</u>	<u>\$ 1,241,235</u>

Revenue is derived from the student transportation access fee assessed on a per credit-hour basis, faculty/staff and student permit sales, citations, visitor vending/meter collections, and other miscellaneous income such as advertising revenues and charter fees. The Parking System uses the revenue to provide parking and transportation services to students and University employees. The Parking System must operate as efficiently as possible while still providing the University community with a superior level of service.

Despite the decrease in sales of services the past two years due to Covid, over the past several years there has been a significant improvement in sales of services, revenue collection and budgetary controls. This has resulted in a very strong financial position for future capital expansion. The improvements to sales, collections, and budgetary controls were made possible by:

- Improved debt collection strategies and follow-up
- Improved management of fixed and variable expense
- Short and long-term goal setting

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
STATEMENT OF NET POSITION
JUNE 30,
Unaudited**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,366,166	\$ 1,889,742
Investments	12,419,562	15,479,210
Accounts receivable, net	363,481	125,760
Due from other funds	-	1,015
	<hr/>	<hr/>
Total current assets	14,149,208	17,495,727
Noncurrent assets		
Restricted cash	1,188,923	1,300,587
Restricted Investments	10,809,103	10,654,218
Capital assets	34,916,129	34,934,853
	<hr/>	<hr/>
Total noncurrent assets	46,914,155	46,889,658
Total assets	<u>\$ 61,063,363</u>	<u>64,385,385</u>
Deferred Outflows of Resources		
Deferred Outflows of Pension Resources	720,687	730,038
Deferred Outflows of Other Post-Employment Benefits	831,744	526,823
	<hr/>	<hr/>
Total Assets & Deferred Outflows of Resources	62,615,795	65,642,246
LIABILITIES		
Current liabilities		
Accounts payable	\$ 44,765	\$ 136,152
Bonds payable, current portion	2,703,479	2,653,479
Post-Employment Health Care Benefits Payable, current portion	38,651	34,584
Pension Liability- HIS, current portion	4,546	7,817
	<hr/>	<hr/>
Total current liabilities	2,791,441	2,832,032
Noncurrent liabilities		
Bonds payable	6,978,916	9,682,396
Post-Employment Health Care Benefits payable	2,343,528	2,639,750
Pension liability	2,019,217	1,799,597
Compensated absences payable	335,471	288,855
	<hr/>	<hr/>
Total noncurrent liabilities	11,677,133	14,410,598
Total liabilities	14,468,574	17,242,630
Deferred Inflows of Resources		
Deferred Inflows of Pension Resources	58,837	112,313
Deferred Inflows of Other Post-Employment Benefits	1,043,474	450,566
	<hr/>	<hr/>
Total Liabilities & Deferred Inflows of Resources	15,570,886	17,805,509
NET POSITION		
Invested in capital assets, net of related debt	25,233,733	22,598,978
Restricted for capital projects	8,628,925	8,585,757
Restricted for debt service	369,197	727,681
Restricted for renewal and replacement	3,342,781	3,342,781
Unrestricted	9,470,273	12,581,540
	<hr/>	<hr/>
Total net position	47,044,909	47,836,737
Total liabilities and net position	<u>\$ 62,615,975</u>	<u>\$ 65,642,246</u>

The accompanying notes to financial statements are an integral part of this statement. Totals may not foot due to rounding.

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30
Unaudited**

	<u>2021</u>	<u>2020</u>
Revenues		
Operating revenues		
Sales and services	\$ 9,093,908	\$ 12,550,041
Other revenues	-	-
Total operating revenues	<u>9,093,908</u>	<u>12,550,041</u>
Expenses		
Operating expenses		
Salaries and related benefits	4,392,639	4,848,276
Expenses	3,493,267	3,723,219
Overhead expense	848,180	897,998
Depreciation	<u>1,677,814</u>	<u>1,627,841</u>
Total operating expenses	10,411,900	11,097,334
Operating income	(1,317,992)	1,452,707
Nonoperating revenues (expense)		
Interest income	122,502	515,694
Interest expense	(284,431)	(341,851)
Loss on disposal of equipment	<u>0</u>	<u>(4,778)</u>
Total nonoperating income (expenses)	(161,929)	169,065
Income Before Other Revenues	(1,479,920)	1,621,772
Capital Appropriations	-	-
Transfers from other university funds	<u>688,092</u>	<u>-</u>
Change in net position	(791,828)	1,621,772
Total net position		
Beginning of year	47,836,737	46,214,965
Adjustments to Beginning Net Position	<u>-</u>	<u>-</u>
End of year	<u>\$ 47,044,909</u>	<u>\$ 47,836,737</u>

The accompanying notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding.

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30
Unaudited**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Sales receipts	\$ 8,856,187	\$ 12,640,775
Payment for salaries and related benefits	(4,177,967)	(4,365,522)
Payment for expenses	(4,432,834)	(4,815,260)
Advances to/ from other funds	1,015	398
Net cash provided by operating activities	246,401	3,460,390
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of fixed assets	(970,997)	(983,177)
Capital Appropriations	-	-
Debt service principal payments	(2,665,000)	(2,610,000)
Debt service interest payments	(272,910)	(330,330)
Net cash used by capital and related financing activities	(3,908,907)	(3,923,507)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	2,904,763	1,188,659
Interest on investments	122,502	515,693
Net cash provided (used) by investing activities	3,027,265	1,704,352
Net increase/(decrease) in cash and cash equivalents	(635,241)	1,241,235
Cash and cash equivalents, beginning of year	3,190,329	4,536,224
Cash and cash equivalents, end of year	\$ 2,555,088	\$ 3,190,329
Reconciliation of net operating revenues to net cash provided by operating activities		
Operating income		
Adjustments to reconcile operating income to net cash provided by operating activities-	\$ (1,317,992)	\$ 1,452,707
Depreciation expense	1,677,814	1,627,841
Change in assets and liabilities		
Accounts receivable	(237,721)	90,733
Due from other funds	1,015	398
Accounts payable	(91,387)	(194,043)
Post-Employment Health Care Benefits Payable	(4,167)	183,676
Pension Liability	172,224	287,327
Compensated absences payable	46,616	11,751
Net cash provided by operating activities	\$ 246,401	\$ 3,460,390

The accompanying notes to financial statements are an integral part of this statement.
Totals may not foot due to rounding.

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University of South Florida Parking Facility Revenue Bonds are an integral part of the financial statements of the University of South Florida (the University). The University is a part of the State University System and accordingly, the University is governed, regulated and coordinated by the Florida Board of Education and the University Board of Trustees.

The Parking System's financial statements have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The significant accounting policies of the Parking System are described below:

Basis of Presentation: The Parking System is classified as a business type activity and accounts for its operations through the use of an enterprise fund. Enterprise funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration.

Basis of Accounting: Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. The financial statements are prepared on the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred. All fund assets and liabilities, current and noncurrent, are accounted for on the statement of net assets. Enterprise funds have the option under Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Parking System has elected not to apply FASB pronouncements issued after the applicable date.

Investments: Investments are stated at fair value, which is based on quoted market prices; investment fund shares are determined by the fair value per share of the fund's underlying portfolio.

Deferred Loss on Refunding: In connection with the issuance of the Parking System's bonds, certain related costs are deferred and amortized over the life of the related issue using the straight-line method. The use of the straight-line method does not materially differ from the effective interest method.

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are stated at cost. Depreciation on buildings is computed using the straight-line method over an estimated useful life of the asset. The useful lives of the asset are as follows:

➤ Buildings	-	20 to 40 years
➤ Furniture, fixtures and equipment	-	5 to 15 years
➤ Vehicles	-	10 years
➤ Software	-	5 years

When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the results from operations in the period of disposal. Net interest costs are capitalized during the construction period.

Revenue Recognition:

Investment Income: Interest on investments is recorded as income when earned.

Sales and Services: Revenue is derived from the student transportation access fee assessed on a per credit-hour basis, faculty/staff and student permit sales, citations visitor vending/meter collections, and other miscellaneous income such as advertising revenues and charter fees. Revenue is recognized when earned.

Compensated Absences Liability: Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to the Florida Administrative Code, and to bargaining agreements between the State of Florida and the United Faculty of Florida.

Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balances. GASB Statement No. 16, Accounting for Compensated Absences, requires that the University accrue a liability for employees' rights to receive compensation for future absences when certain conditions are met. At June 30, 2021 and 2020, the estimated liability for annual and sick leave was \$335,471 and \$288,856, respectively.

Allowance for doubtful receivables: Accounts Receivable was calculated by aging the accounts over one year as doubtful. Immaterial amounts from accrued receivables are not recognized in these financial reports.

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 2 – CASH AND CASH EQUIVALENTS

Amounts reported as cash and cash equivalents consist of cash on hand and cash held 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 depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

NOTE 3 – INVESTMENTS

Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the US Treasury; obligations of Federal agencies; securities of, or interests in, certain open-end or closed-end management type investment companies; SEC registered money market funds; and other investments approved by the University's Board of Trustees.

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's recurring fair value measurements as of June 30, 2021 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).

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

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, 2021, 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	\$ 825	\$ 825	\$ -	\$ -
United States Treasury Securities	21,844,355		21,844,355	
Bonds and Notes	27,336,586	-	27,336,586	-
Stocks and Other Equity Securities	24,645,892	24,645,892	-	-
Mutual Funds:				
Equities	99,680,046	99,680,046	-	-
Bonds	477,389,701	477,389,701	-	-
Money Market	102,563,018	102,563,018	-	-
Total investments by fair value level	\$ 753,460,423	\$ 704,279,482	\$ 49,180,941	\$ -

Because the University reports under the GASB reporting model, it is required to disclose various investment risks. The University Board of Trustees has adopted a written investment policy. The University's investment policy allows investments in cash and cash equivalents, equities, and fixed income investments. The following risks apply to these investments:

Interest Rate and Credit Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University investment policy limits the short term fixed income portfolio (United States Treasury securities, United States government agency obligations, mortgage-backed securities, corporate debt, state and municipal securities investments) to a weighted average duration of less than five years. For long term investments, the investment policy does not limit the duration for long term corporate notes or other direct debt obligations. The University investment policy provides 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 University 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 investment policy provides for credit rate risk. The risk varies depending on the type of investment.

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

The following interest rate and credit risks apply to the University's investments in debt securities and money market mutual funds at June 30, 2021:

University Debt Investment Maturity and Quality Ratings

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Credit Quality Rating</u>		<u>Fair Value</u>
		<u>Moody's</u>	<u>Standard and Poor's</u>	
United States Treasury Securities (2)	3.70 Years	(1)	(1)	\$ 21,844,355
Bonds and Notes (2)	4.13 Years	Aaa - A3	AAA - A-	27,026,984
Bonds and Notes (2)	0.84 Years	Not Rated	AA+	309,603
Bond Mutual Funds (3)	2.98 Years	Not Rated	Not Rated	477,389,701
Money Market Mutual Funds (2)	25 Days	Aaa-mf	AAAm	1,688,064
Money Market Mutual Funds (3)	33 Days	Aaa-mf	AAAm	100,874,953
Total				<u>\$ 629,133,660</u>

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

(2) USF Health Sciences Center Self-Insurance Program

(3) University

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The University's investment policy provides 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 U.S. Government shall not exceed five percent of the assets of the investment portfolio, and no single corporate bond issuer shall exceed five percent of the market value of the investment portfolio. Direct investments in securities of the U.S. Government, Government agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of U.S. Government Securities are not subject to these restrictions.

The Parking System investments are held in the bond and money market mutual funds listed above. Investment earnings for the year ended June 30, 2021 and 2020 were \$122,502 and \$515,694, respectively.

NOTE 4 – NET RECEIVABLES

Accounts receivable is reported net of an allowance for uncollectible accounts. At June 30, 2021, allowance for uncollectible accounts was estimated to be \$288,696.

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<i>July 1, 2020</i>	<i>Additions</i>	<i>Retirements</i>	<i>June 30, 2021</i>
Buildings	52,372,411	615,680	-	52,988,091
Construction in Progress	454,170	1,575,499	1,628,951	400,718
Furniture, Fixtures & Equipment	786,016	36,530	28,048	794,498
Software	6,000	-	-	6,000
Vehicles	3,708,427	1,060,332	152,649	4,616,110
Total	57,327,024	3,288,041	1,809,649	58,805,417
Less Accumulated Depreciation:				
Buildings	19,615,429	1,327,832	-	20,943,261
Furniture, Fixtures & Equipment	506,541	38,976	59,701	485,816
Software	6,000	-	-	6,000
Vehicles	2,264,201	311,006	120,997	2,454,210
Total Accumulated Depreciation	22,392,171	1,677,814	180,698	23,889,287
Capital Assets Net	34,934,853	1,610,227	1,628,951	34,916,130

NOTE 6 – LONG TERM DEBT

Long-term liability activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable					
2016A Parking (Refunded 2002, 2004A, and 2006A)	12,405,000	-	2,665,000	9,740,000	2,715,000
Unamortized Premium	-	-	-	-	-
Unamortized Loss	(69,125)	-	(11,521)	(57,604)	(11,521)
Unamortized Bond Discount	-	-	-	-	-
Total Bonds Payable	12,335,875	-	2,653,479	9,682,396	2,703,479
Other liabilities					
Post Employment Health Care Benefits Payable	2,674,334	1,246,917	1,539,071	2,382,180	38,651
Pension Liability	1,807,414	966,195	749,846	2,023,763	4,546
Compensated absences	288,856	62,045	15,429	335,471	-
Total Other liabilities	4,770,603	2,275,157	2,304,346	4,741,414	43,197
Total	17,106,478	2,275,157	4,957,825	14,423,809	2,746,677

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Bonds were issued to construct University parking garages. Bonds outstanding are secured by a pledge of traffic and parking fees and various other student fee assessments. A summary of pertinent information related to the University's indebtedness resulting from the issuance of the bonds follows:

Bond Type and Series	Amount of Original Issue	Amount Outstanding		Interest Rates
		Principal	Interest	
2016A Parking	21,545,000	9,740,000	538,230	2.20
Less: Bond Discount/Premium		-		
Amt deferred on Refunding		(57,604)		
Total Bonds Payable	21,545,000	9,682,396	538,230	

Annual requirements to amortize all bonded debt outstanding as of June 30, 2021 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2022	2,715,000	214,280	2,929,280
2023	2,780,000	154,550	2,934,550
2024	1,950,000	93,390	2,043,390
2025	1,135,000	50,490	1,185,490
2026	1,160,000	25,520	1,185,520
subtotal	9,740,000	538,230	10,278,230
Less: Bond Discount/Premium	-		-
Amount Deferred on Refunding	(57,604)		(57,604)
Total (net of discount)	9,682,396	538,230	10,220,626

The bond resolutions provide for the establishment of Sinking Funds to be held and administered by the State Board of Administration (SBA) for the purpose of paying the principal and interest on the bonds as they become due. The bond resolutions provide for the establishment of a Reserve Account which is to be used for payments of debt service when amounts in the Sinking Fund are insufficient. The Reserve Account will be funded in an amount equivalent to Maximum Annual Debt Service by surety bond from Municipal Bond Investors Assurance Corporation.

The bond covenants require the establishment of facility maintenance and equipment reserve funds. Proposed annual operating budgets of the University shall provide for at least 3% of the total annual projected pledged revenues for each specific bond issue to be deposited into a reserve fund(s) for auxiliary facilities until an amount equal to at least 30% of the current year annual pledged revenue is reached. The required amount is currently 30% of the current year annual pledged revenue.

**STATE OF FLORIDA,
UNIVERSITY OF SOUTH FLORIDA
PARKING FACILITY REVENUE BONDS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

The monies in said Parking System Maintenance and Equipment Reserve Fund may be drawn on and used by the University for the purpose of paying the cost of unusual or extraordinary maintenance or repairs, renewals and replacements, and the renovating or replacement of the equipment and furnishings not paid as part of ordinary and normal expense of the operation and maintenance of the Parking System.

Interest paid on bonds for the fiscal year ended June 30, 2021 and 2020 respectively was \$272,910 and \$330,330.

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2021



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2020-21 fiscal year, Dr. Steven C. Currall served as President of the University of South Florida and the following individuals served as Members of the Board of Trustees:

Jordan B. Zimmerman, Chair	Oscar J. Horton
William "Will" Weatherford from 1-23-21, Vice Chair from 2-24-21 ^a	Claire Mitchell through 5-9-21 ^c
Stephanie E. Goforth, Vice Chair through 1-26-21 ^a	Leslie M. Muma
Dr. Timothy L. Boaz ^b	Shilen Patel from 1-27-21
Sandra Callahan	John B. Ramil
Michael Carrere	Melissa Seixas from 1-27-21
Julia Cunningham from 5-10-21 ^c	Byron E. Shinn through 1-22-21
Michael E. Griffin	Charles Tokarz
	Nancy H. Watkins through 1-26-21

^a Vice Chair position vacant from 1-27-21, through 2-23-21.

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

^c Student Body President.

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 FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

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

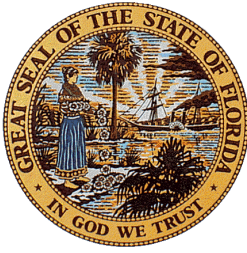
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
-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

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2021. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the University of South Florida Health Sciences Center Self-Insurance Program, a blended component unit, represent 3.9 percent, 2.2 percent, 7 percent, and 1 percent, respectively, of the assets, liabilities, net position, and revenues reported for the University of South Florida. The financial statements of the aggregate discretely presented component units represents 100 percent of the transactions and account balances of the discretely presented component units columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller

General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of South Florida and of its aggregate discretely presented component units as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, on our consideration of the University of South Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of South Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
December 15, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2021, 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, 2021, and June 30, 2020.

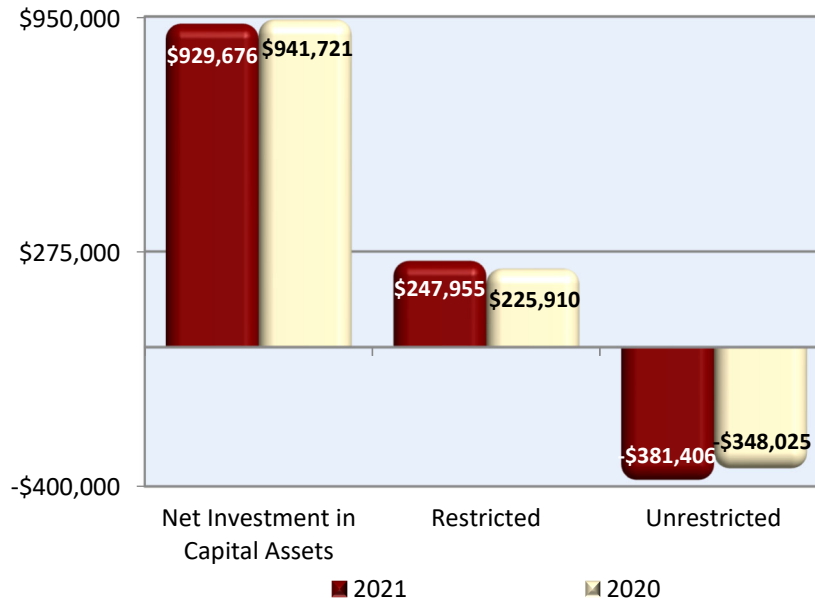
FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled \$2.6 billion at June 30, 2021. This balance reflects a \$170.4 million, or 6.9 percent, increase as compared to the 2019-20 fiscal year, resulting from increases in investments, deferred outflows related to other postemployment benefits (OPEB), and accounts receivable, partially offset by a decrease in amounts due from component units. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by \$193.8 million, or 11.8 percent, totaling \$1.8 billion at June 30, 2021, as compared to \$1.6 billion at June 30, 2020, resulting from increases in deferred inflows related to OPEB, the net pension liability, and capital leases payable, partially offset by a decrease in the OPEB liability. As a result, the University's net position decreased by \$23.4 million, resulting in a year-end balance of \$796.2 million.

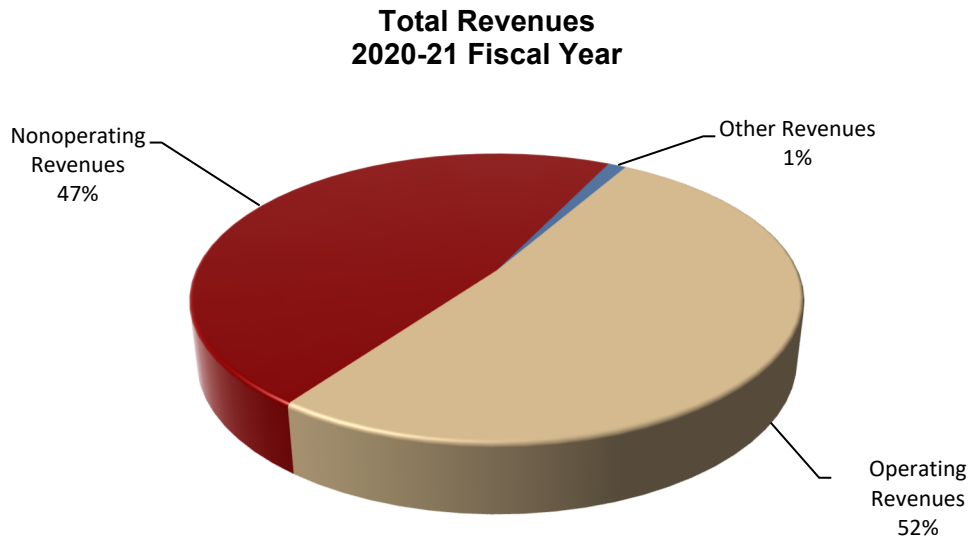
The University's operating revenues totaled \$795.4 million for the 2020-21 fiscal year, representing a 3.2 percent decrease compared to the 2019-20 fiscal year due mainly to decreases in sales and services of auxiliary enterprises. Operating expenses totaled \$1.52 billion for the 2020-21 fiscal year, representing a decrease of 0.8 percent as compared to the 2019-20 fiscal year due mainly to a decrease in services and supplies, partially offset by an increase in scholarships, fellowships, and waivers.

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, 2021, and June 30, 2020, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2020-21 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)

	2021	2020
Assets		
Current Assets	\$ 916,757	\$ 828,089
Capital Assets, Net	1,286,404	1,285,427
Other Noncurrent Assets	87,995	86,885
Total Assets	2,291,156	2,200,401
Deferred Outflows of Resources	341,078	261,432
Liabilities		
Current Liabilities	147,743	132,404
Noncurrent Liabilities	1,334,705	1,278,799
Total Liabilities	1,482,448	1,411,203
Deferred Inflows of Resources	353,561	231,024
Net Position		
Net Investment in Capital Assets	929,676	941,721
Restricted	247,955	225,910
Unrestricted	(381,406)	(348,025)
Total Net Position	\$ 796,225	\$ 819,606

Current assets for the University increased \$88.7 million between the two fiscal years due to a \$86.2 million increase in current investments, primarily resulting from the restoration of investment positions that were reduced in the 2019-20 fiscal year to meet cash needs in support of USF operations, and a \$21.1 million increase in contract and grants receivable. The increase in contracts and grants receivable is for Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act institutional funds (\$8.1 million), increases in receivables for Federal projects (\$8.9 million), and Graduate Medical Education (\$5.2 million). This increase was offset by a decrease in amounts due from component units of \$22.2 million, primarily due to the University Medical Service Association bringing the 2019-20 fiscal year convenience fund deficits current in the 2020-21 fiscal year.

Deferred outflows of resources increased \$79.6 million, primarily related to OPEB (\$73.2 million) and due to an increase in the University's proportional share of the liability.

Total liabilities increased \$71.2 million mainly due to a \$68.7 million increase in the net pension liability and a \$19 million increase in capital leases payable. Of the \$68.7 million increase in net pension liability, \$63.2 million is related to the Florida Retirement System Pension Plan due to a decrease in the overall financial position of the plan primarily as a result of investment returns. The remaining \$5.5 million of the net pension liability increase is attributed to the Health Insurance Subsidy Pension Plan due to a decrease in the discount rate from 3.50 percent to 2.21 percent and a change in the mortality assumption. The Osprey Suites residence hall was placed in service on the St. Petersburg campus during the 2020-21 fiscal year, resulting in the increase in capital leases payable for the related Series 2018 Housing Certificates of Participation held by the USF Financing Corporation. These net pension liability and

capital leases payable increases were partially offset by a \$32.9 million decrease in the OPEB liability that is primarily due to the removal of the impact of the Excise Tax that was to go into effect in 2022 but was repealed and a change in the mortality rates used in the actuarial valuation. Other contributors to the increase in total liabilities were a \$9.6 million increase in salary and wages payable and an \$8.9 million increase in unearned revenue.

Deferred inflows of resources increased \$122.5 million due to a \$135.5 million increase in deferred inflows related to OPEB as a result of changes in actuarial assumptions, including updated health care costs and premiums, trend rates, mortality rates, and active plan election assumptions, as well as the impact of the repeal of the Excise Tax.

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 2020-21 and 2019-20 fiscal years:

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

(In Thousands)

	2020-21	2019-20
Operating Revenues	\$ 795,363	\$ 821,824
Less, Operating Expenses	1,524,073	1,535,621
Operating Loss	(728,710)	(713,797)
Net Nonoperating Revenues	687,754	584,096
Loss Before Other Revenues	(40,956)	(129,701)
Other Revenues	17,575	34,681
Net Decrease In Net Position	(23,381)	(95,020)
Net Position, Beginning of Year, as Restated	819,606	914,626
Net Position, End of Year	\$ 796,225	\$ 819,606

Operating Revenues

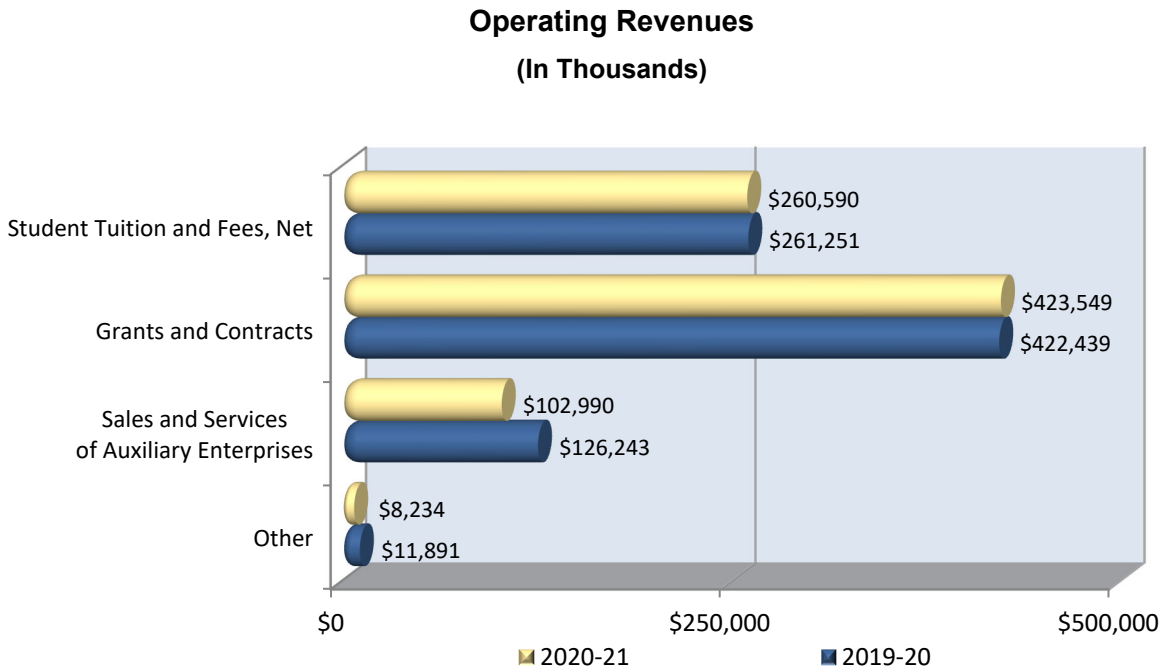
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2020-21 and 2019-20 fiscal years:

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

	<u>2020-21</u>	<u>2019-20</u>
Student Tuition and Fees, Net	\$ 260,590	\$ 261,251
Grants and Contracts	423,549	422,439
Sales and Services of Auxiliary Enterprises	102,990	126,243
Other	8,234	11,891
Total Operating Revenues	<u>\$ 795,363</u>	<u>\$ 821,824</u>

The following chart presents the University's operating revenues for the 2020-21 and 2019-20 fiscal years:



University operating revenues decreased by \$26.5 million, or 3.2 percent. This is primarily attributed to a \$23.3 million decrease in sales and services of auxiliary enterprises. The COVID-19 pandemic widely impacted auxiliary sales with significant reductions realized in dining (\$8.5 million), housing (\$7.5 million), parking (\$4.4 million), INTO USF and the English Language Program (\$1.7 million), and student health services (\$1 million).

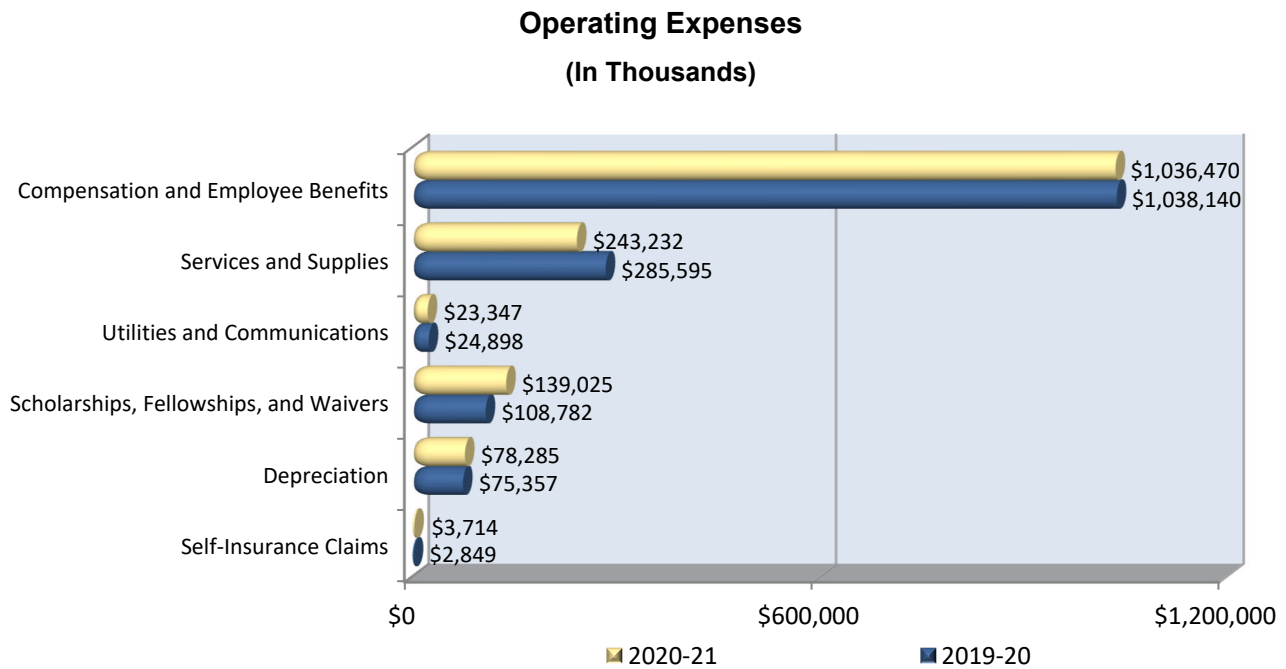
Operating Expenses

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 2020-21 and 2019-20 fiscal years:

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

	<u>2020-21</u>	<u>2019-20</u>
Compensation and Employee Benefits	\$ 1,036,470	\$ 1,038,140
Services and Supplies	243,232	285,595
Utilities and Communications	23,347	24,898
Scholarships, Fellowships, and Waivers	139,025	108,782
Depreciation	78,285	75,357
Self-Insurance Claims	3,714	2,849
Total Operating Expenses	<u>\$ 1,524,073</u>	<u>\$ 1,535,621</u>

The following chart presents the University’s operating expenses for the 2020-21 and 2019-20 fiscal years:



Total operating expenses decreased by \$11.5 million, or 0.8 percent, resulting primarily from a \$42.4 million decrease in services and supplies, partially offset by a \$30.2 million increase in

scholarships, fellowships, and waivers. The decrease in services and supplies was primarily due to decreases in travel (\$11.7 million), consulting services (\$10.5 million), dining services (\$6.7 million), grants subcontracts (\$4.5 million), rental expenses (\$4.3 million), software maintenance (\$2.9 million), and athletics game guarantee expenses (\$1.4 million). The increase in scholarships, fellowships, and waivers was primarily due to increases in Federal CARES Act aid (\$21.7 million), need-based scholarships (\$5.6 million), and Florida Academic Scholars (FAS) awards (\$5.3 million).

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 2020-21 and 2019-20 fiscal years:

Nonoperating Revenues (Expenses) For the Fiscal Years

(In Thousands)

	2020-21	2019-20
State Noncapital Appropriations	\$ 437,246	\$ 428,947
Federal and State Student Financial Aid	182,340	164,433
Noncapital Grants and Donations	68,565	32,287
Investment Income	36,313	4,174
Other Nonoperating Revenues	2,602	5,518
Loss on Disposal of Capital Assets	(794)	(482)
Interest on Capital Asset-Related Debt	(11,569)	(10,969)
Other Nonoperating Expenses	(26,949)	(39,812)
Net Nonoperating Revenues	\$ 687,754	\$ 584,096

Total net nonoperating revenues increased by \$103.7 million, or 17.8 percent. The major components of this increase were increases in noncapital grants and donations (\$36.3 million), investment income (\$32.1 million), and Federal and State student financial aid (\$17.9 million), as well as a decrease in other nonoperating expenses (\$12.9 million). The increase in noncapital grants and donations was due to an increase in Federal CARES Act institutional aid. The increase in investment income was due to an increase in equity mutual fund performance, as equity mutual funds experienced \$33.1 million of unrealized losses in the 2019-20 fiscal year versus \$15.3 million of unrealized gains in the 2020-21 fiscal year. The increase in equity mutual fund performance was partially offset by a decrease in bond mutual fund performance. The increase in Federal and State student financial aid was from increases in Federal CARES Act student aid (\$12.6 million) and FAS awards (\$5.3 million). Decreases in net transfers to USF Financing Corporation related to Tampa student housing revenues (\$3.7 million) and Osprey Suites residence hall leasehold improvements (\$3.8 million), as well as decreases in transfers to the University Medical Service Association (UMSA) for Graduate Medical Education (\$4.3 million) were primarily responsible for the decrease in other nonoperating expenses.

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 2020-21 and 2019-20 fiscal years:

	<u>2020-21</u>	<u>2019-20</u>
State Capital Appropriations	\$ 7,330	\$ 19,130
Capital Grants, Contracts, Donations, and Fees	10,245	15,551
Total	<u>\$ 17,575</u>	<u>\$ 34,681</u>

Total other revenues decreased by \$17.1 million, or 49.3 percent. This decrease was largely due to an \$11.8 million decrease in State capital appropriations that was the result of receiving \$12.4 million for the USF Health Morsani College of Medicine and Heart Institute in the 2019-20 fiscal year. A \$5.3 million decrease in capital grants, contracts, donations, and fees comprised the remainder of the decrease 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 2020-21 and 2019-20 fiscal years:

	<u>2020-21</u>	<u>2019-20</u>
Cash Provided (Used) by:		
Operating Activities	\$ (560,065)	\$ (562,127)
Noncapital Financing Activities	676,358	549,838
Capital and Related Financing Activities	(62,199)	(86,311)
Investing Activities	(51,439)	114,679
Net Increase in Cash and Cash Equivalents	2,655	16,079
Cash and Cash Equivalents, Beginning of Year	67,708	51,629
Cash and Cash Equivalents, End of Year	<u>\$ 70,363</u>	<u>\$ 67,708</u>

Major sources of funds came from State noncapital appropriations (\$437.2 million), Federal Direct Student Loan receipts (\$170.6 million), net student tuition and fees (\$260.8 million), grants and contracts (\$419.8 million), sales and services of auxiliary enterprises (\$100.5 million), and Federal and State financial aid (\$182.3 million). Major uses of funds were for payments made to and on behalf of employees totaling \$939.5 million, payments to suppliers totaling \$267.7 million, disbursements to students for Federal Direct Student Loans totaling \$170.6 million, payments to and on behalf of students for scholarships totaling \$139 million, and purchases of investments totaling \$156.9 million.

Net cash used by operating activities decreased by \$2.1 million. Significant changes in major sources and uses of cash within operating activities were a \$24.6 million decrease in cash provided by sales and services of auxiliary enterprises, a \$41.6 million decrease in payments to suppliers for goods and services, and a \$30.2 million increase in payments to students for scholarships and fellowships. The decrease in cash provided by sales and services of auxiliary enterprises was due to the impact of the COVID-19 pandemic, especially on revenues from housing, parking, INTO USF and the English Language Program, and student health services. The major factors in the decrease in payments to suppliers were decreases in travel, consulting services, dining services, grants subcontracts, rental expenses, software maintenance, and athletics game guarantee expenses. Increases in Federal CARES Act aid, need-based scholarships, and FAS awards were primarily responsible for the increase in payments to students for scholarships and fellowships.

Net cash provided by noncapital financing activities increased by \$126.5 million. Significant contributors to this increase were a \$56 million increase in cash provided by operating subsidies and transfers, a \$35 million increase in cash provided by noncapital grants, contracts and donations, a \$17.9 million increase in cash provided by Federal and State student financial aid, and a \$11.5 million decrease in cash used by other nonoperating disbursements. Cash provided by operating subsidies and transfers increased primarily as a result of UMSA generating convenience fund deficits in the 2019-20 fiscal year that were brought current in the 2020-21 fiscal year. Federal CARES Act institutional aid was the source of the increase in cash provided by noncapital grants, contracts, and donations. Cash provided by Federal and State student financial aid increased due to increases in Federal CARES Act student aid and FAS awards. Cash used for other nonoperating disbursements decreased largely due to decreased transfers to UMSA for House Staff and to the USF Financing Corporation for Tampa student housing revenues. Decreases in transfers to the Agency for Health Care Administration for Medicaid payments from UMSA and transfers to Sun Dome, Inc. for arena operating expenses were responsible for the remainder of the decrease in cash used for other nonoperating disbursements.

Net cash used by capital and related financing activities decreased by \$24.1 million. Significant components of this decrease were a \$46.3 million decrease in cash used for the purchase or construction of capital assets, partially offset by an \$11.8 million decrease in cash provided by capital grants, contracts, donations, and fees. In addition, cash provided by State capital appropriations decreased by \$8.7 million. The substantial completion of the USF Health Morsani College of Medicine and Heart Institute in the 2019-20 fiscal year is the reason for the decrease in cash used for the purchase or construction of capital assets. The decrease in cash provided by capital grants, contracts, donations, and fees is due to funding received from UMSA in the 2019-20 fiscal year for the USF Health Morsani College of Medicine and Heart Institute as well as more funds received in the 2019-20 fiscal year than in the 2020-21 fiscal year.

from the USF Foundation for the USF Health Morsani College of Medicine and Heart Institute, Judy Genshaft Honors College facility, and the USF Football Center.

Net cash provided by investing activities decreased by \$166.1 million to become a net use of cash due to a \$146.3 million decrease in proceeds from sales and maturities of investments and a \$57 million increase in purchases of investments, partially offset by a \$37.2 million increase in cash provided by investment income. The decrease in proceeds was due to the 2019-20 fiscal year closure of equity mutual fund positions to mitigate losses from market reactions to the COVID-19 pandemic as well as the 2019-20 fiscal year reduction of the money market mutual fund position to meet cash needs in support of USF operations. The increase in purchases of investments was primarily due to the restoration of the money market mutual fund position in the 2020-21 fiscal year following the reduction of that position in the 2019-20 fiscal year. The increase in cash provided by investment income was due to increased equity mutual fund performance.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
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Capital Assets

At June 30, 2021, the University had \$2.2 billion in capital assets, less accumulated depreciation of \$961.7 million, for net capital assets of \$1.3 billion. Depreciation charges for the current fiscal year totaled \$78.3 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)

	2021	2020
Land	\$ 21,411	\$ 23,649
Construction in Progress	25,791	13,674
Buildings	935,796	959,441
Infrastructure and Other Improvements	38,720	40,732
Furniture and Equipment	74,058	74,268
Library Resources	18,334	19,999
Property Under Capital Lease and Leasehold Improvements	169,229	149,710
Works of Art and Historical Treasures	1,221	1,316
Other Capital Assets	1,844	2,638
Capital Assets, Net	\$1,286,404	\$1,285,427

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, 2021, are as follows:

	Amount (In Thousands)
Total Committed	\$ 130,571
Completed to Date	<u>(25,791)</u>
Balance Committed	<u>\$ 104,780</u>

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

Debt Administration

As of June 30, 2021, the University had \$243.4 million in outstanding capital improvement debt payable, installment purchases payable, and capital leases payable, representing an increase of \$16.5 million, or 7.3 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

	Long-Term Debt at June 30	
	(In Thousands)	
	2021	2020
Capital Improvement Debt	\$ 9,682	\$ 12,336
Installment Purchases	521	341
Capital Leases	<u>233,208</u>	<u>214,233</u>
Total	<u>\$243,411</u>	<u>\$226,910</u>

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 2021-22 fiscal year provided a 5.3 percent increase for State universities. In response to the public health crisis created by the COVID-19 pandemic, the University began the Fall 2021 semester in accordance with the plan approved by the Board of Governors of the State University System and enrollment is strong on all campuses. The COVID-19 pandemic has not materially affected the Fall 2021 revenues pledged to the bonds issued by the USF Financing Corporation and the USF Financing Corporation does not anticipate any difficulty in making the 2021-22 fiscal year annual debt service payments. Finally, although the revenue of the State of Florida has recovered from the adverse impacts of the pandemic, uncertainty remains regarding the effect on future State appropriations. Thus, the University is executing a multi-year strategic budget plan to adjust spending to potentially available resources.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Jennifer Condon, Associate Vice President and Controller, University of South Florida, 4202 East Fowler Avenue SVC1039, Tampa, Florida 33620-5800.

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BASIC FINANCIAL STATEMENTS

UNIVERSITY OF SOUTH FLORIDA
A Component Unit of the State of Florida
Statement of Net Position
June 30, 2021

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 70,217,985	\$ 19,547,704
Investments	675,809,274	196,948,679
Accounts Receivable, Net	109,807,373	104,104,461
Loans and Notes Receivable, Net	1,936,722	51,250
Due from State	31,841,272	-
Due from Component Units	26,253,626	426,087
Inventories	244,597	1,524,412
Other Current Assets	646,214	17,689,117
Total Current Assets	916,757,063	340,291,710
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	145,208	16,679,588
Restricted Investments	77,651,149	802,580,437
Loans and Notes Receivable, Net	1,395,629	18,750
Depreciable Capital Assets, Net	1,237,078,531	101,109,544
Nondepreciable Capital Assets	49,325,760	39,618,384
Other Noncurrent Assets	8,803,100	323,323,436
Total Noncurrent Assets	1,374,399,377	1,283,330,139
Total Assets	2,291,156,440	1,623,621,849
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	182,739,018	-
Pensions	158,339,274	-
Interest Rate Swap Agreement	-	13,788,207
Deferred Loss on Debt Refunding	-	1,187,830
Total Deferred Outflows of Resources	341,078,292	14,976,037
LIABILITIES		
Current Liabilities:		
Accounts Payable	21,010,232	39,757,258
Construction Contracts Payable	1,438,105	-
Salary and Wages Payable	46,183,755	9,276,960
Deposits Payable	5,929,923	136,704
Due to University	-	26,253,626
Due to Component Units	-	426,087
Unearned Revenue	38,147,216	2,085,094
Other Current Liabilities	-	2,202,605
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	5,867,623
Certificates of Participation Payable	-	10,420,000
Capital Improvement Debt Payable	2,703,479	-
Loans and Notes Payable	-	642,077
Installment Purchases Payable	170,903	-
Capital Leases Payable	11,573,040	4,250,359
Estimated Insurance Claims Payable	1,202,500	-
Compensated Absences Payable	9,068,239	-
Dining Facility Fee Payable	24,851	-
Revenue Received in Advance	800,000	-
Other Postemployment Benefits Payable	8,491,953	-
Net Pension Liability	998,780	-
Total Current Liabilities	147,742,976	101,318,393

	<u>University</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	106,297,643
Certificates of Participation Payable	-	230,882,568
Capital Improvement Debt Payable	6,978,916	-
Loans and Notes Payable	-	6,449,508
Installment Purchases Payable	350,505	-
Capital Leases Payable	221,634,425	58,178,701
Estimated Insurance Claims Payable	30,991,847	-
Compensated Absences Payable	91,649,735	-
Federal Advance Payable	1,477,548	-
Other Noncurrent Liabilities	-	19,487,278
Dining Fee Facility Payable	4,634,875	-
Revenue Received in Advance	18,466,667	-
Other Postemployment Benefits Payable	514,886,947	-
Net Pension Liability	443,633,797	-
Total Noncurrent Liabilities	<u>1,334,705,262</u>	<u>421,295,698</u>
Total Liabilities	<u>1,482,448,238</u>	<u>522,614,091</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	229,257,421	-
Pensions	12,926,933	-
Deferred Service Concession Arrangement Receipts	111,376,974	-
Irrevocable Split-Interest Agreements	-	26,188,744
Grants Received in Advance	-	1,125,932
Deferred Gain on Capital Lease	-	16,743
Deferred Gain on Debt Refunding	-	70,263
Total Deferred Inflows of Resources	<u>353,561,328</u>	<u>27,401,682</u>
NET POSITION		
Net Investment in Capital Assets	929,676,057	45,051,355
Restricted for Nonexpendable:		
Endowment	-	372,543,265
Restricted for Expendable:		
Debt Service	1,810,011	2,513,917
Loans	6,171,337	-
Capital Projects	32,132,826	-
Other	207,841,038	135,763,283
Endowment	-	376,018,566
Unrestricted	(381,406,103)	156,691,727
TOTAL NET POSITION	<u>\$ 796,225,166</u>	<u>\$ 1,088,582,113</u>

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, 2021

	<u>University</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$155,687,009 (\$3,247,664 Pledged for the Parking System Revenue Bonds)	\$ 260,589,793	\$ -
Federal Grants and Contracts	193,786,957	-
State and Local Grants and Contracts	28,165,693	-
Nongovernmental Grants and Contracts	201,596,288	100,698,612
Sales and Services of Auxiliary Enterprises (\$5,839,719 Pledged for Parking System Revenue Bonds)	102,989,794	-
Sales and Services of Component Units	-	256,335,554
Royalties and Licensing Fees	-	10,451,204
Gifts and Donations	-	52,072,604
Interest on Loans and Notes Receivable	120,691	-
Other Operating Revenues	8,113,778	47,517,022
Total Operating Revenues	795,362,994	467,074,996
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	1,036,469,651	273,960,618
Services and Supplies	243,231,866	129,883,384
Utilities and Communications	23,347,151	2,539,632
Scholarships, Fellowships, and Waivers	139,024,462	10,876,584
Depreciation	78,285,443	8,904,838
Self-Insurance Claims	3,714,349	-
Total Operating Expenses	1,524,072,922	426,165,056
Operating Income (Loss)	(728,709,928)	40,909,940
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	437,246,365	-
Federal and State Student Financial Aid	182,340,244	-
Noncapital Grants and Donations	68,565,247	-
Investment Income	36,313,392	200,837,919
Other Nonoperating Revenues	2,601,623	14,289,135
Loss on Disposal of Capital Assets	(794,015)	(21)
Interest on Capital Asset-Related Debt	(11,569,433)	(15,737,574)
Other Nonoperating Expenses	(26,949,141)	(268,701)
Net Nonoperating Revenues	687,754,282	199,120,758
Income (Loss) Before Other Revenues	(40,955,646)	240,030,698
Additions to Permanent Endowments	-	13,409,998
State Capital Appropriations	7,330,378	-
Capital Grants, Contracts, Donations, and Fees	10,244,722	(1,790,891)
Increase (Decrease) in Net Position	(23,380,546)	251,649,805
Net Position, Beginning of Year	819,605,712	836,932,308
Net Position, End of Year	\$ 796,225,166	\$ 1,088,582,113

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, 2021

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 260,800,907
Grants and Contracts	419,777,820
Sales and Services of Auxiliary Enterprises	100,496,299
Interest on Loans Receivable	192,216
Payments to Employees	(939,473,193)
Payments to Suppliers for Goods and Services	(267,749,947)
Payments to Students for Scholarships and Fellowships	(139,024,463)
Payments on Self-Insurance Claims and Expenses	(2,092,673)
Loans Issued to Students	(365,568)
Collection on Loans to Students	1,053,204
Other Operating Receipts	6,320,854
	(560,064,544)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	437,246,365
Federal and State Student Financial Aid	182,340,244
Noncapital Grants, Contracts and Donations	60,366,745
Federal Direct Loan Program Receipts	170,616,497
Federal Direct Loan Program Disbursements	(170,616,497)
Operating Subsidies and Transfers	24,451,548
Net Change in Funds Held for Others	997,008
Other Nonoperating Receipts	11,688
Other Nonoperating Disbursements	(29,055,242)
	676,358,356
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	7,631,854
Capital Grants, Contracts, Donations and Fees	2,901,467
Purchase or Construction of Capital Assets	(47,154,118)
Principal Paid on Capital Debt and Leases	(14,020,037)
Interest Paid on Capital Debt and Leases	(11,558,372)
	(62,199,206)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	74,898,977
Purchases of Investments	(156,876,936)
Investment Income	30,539,040
	(51,438,919)
Net Increase in Cash and Cash Equivalents	2,655,687
Cash and Cash Equivalents, Beginning of Year	67,707,506
Cash and Cash Equivalents, End of Year	\$ 70,363,193

	<u>University</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (728,709,928)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	78,285,443
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(13,503,499)
Loans and Notes Receivable, Net	687,636
Inventories	22,630
Other Assets	(2,026,280)
Accounts Payable	(1,286,270)
Salaries and Wages Payable	9,559,146
Deposits Payable	21,404
Compensated Absences Payable	6,185,080
Unearned Revenue	7,830,815
Estimated Insurance Claims Payable	1,621,675
Other Postemployment Benefits Payable	(32,892,761)
Net Pension Liability	68,683,506
Deferred Outflows of Resources Related to Other Postemployment Benefits	(73,157,948)
Deferred Inflows of Resources Related to Other Postemployment Benefits	135,537,941
Deferred Outflows of Resources Related to Pensions	(6,488,512)
Deferred Inflows of Resources Related to Pensions	(10,434,622)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (560,064,544)</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND
CAPITAL FINANCING ACTIVITIES**

Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 5,774,353
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.	\$ (794,015)
Donations 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.	\$ 7,343,255

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 Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service

payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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

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

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

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

2. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (463,932,573)
Auxiliary Funds	<u>82,526,470</u>
Total	<u>\$ (381,406,103)</u>

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:

<u>Description</u>	<u>University</u>
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources	\$ 487,711,436
Amount Expected to be Financed in Future Years:	
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(569,897,303)
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(299,220,236)</u>
Total Amount Expected to be Financed in Future Years	<u>(869,117,539)</u>
Total Unrestricted Net Position	<u>\$ (381,406,103)</u>

3. Investments

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

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

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

Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The University's recurring fair value measurements as of June 30, 2021, 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, 2021, 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	\$ 825	\$ 825	\$ -	\$ -
United States Treasury Securities	21,844,355	-	21,844,355	-
Bonds and Notes	27,336,586	-	27,336,586	-
Stocks and Other Equity Securities	24,645,892	24,645,892	-	-
Mutual Funds				
Equities	99,680,046	99,680,046	-	-
Bonds	477,389,701	477,389,701	-	-
Money Market	102,563,018	102,563,018	-	-
Total investments by fair value level	\$ 753,460,423	\$ 704,279,482	\$ 49,180,941	\$ -
Total investments	\$ 753,460,423			

State Board of Administration Debt Service Accounts.

The University reported investments totaling \$825 at June 30, 2021, 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, 2021, 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 Security Pledged to Swap Counterparty	\$ -	\$ -	\$ -	\$ 3,773,698	\$ -	\$ -	\$ 3,773,698
Bonds and Notes	-	-	1,468,940	-	-	-	1,468,940
Stocks and Other Equity Securities	-	-	22,186,497	-	-	424,481	22,610,978
Partnership Investments	119,343,209	1,681,414	6,821,397	-	-	-	127,846,020
Mutual Funds:							
Equities	470,057,022	6,603,122	29,008,456	-	6,566,536	-	512,235,136
Bonds	207,272,783	2,038,041	9,732,733	-	96,967	-	219,140,524
Money Market	44,127,957	219,193	3,816,112	36,386,525	-	-	84,549,787
Beneficial Interest Assets	23,893,429	50,604	-	-	-	-	23,944,033
Total Component Units' Investments	\$ 864,694,400	\$ 10,592,374	\$ 73,034,135	\$ 44,120,223	\$ 6,663,503	\$ 424,481	\$ 999,529,116

The component units' recurring fair value measurement as of June 30, 2021, are valued using the following valuation techniques and inputs:

	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)
Investments by fair value level				
Certificates of Deposit	\$ 3,773,698	\$ 3,773,698	\$ -	\$ -
Bonds and Notes	1,468,940	-	1,468,940	-
Stocks and Other Equity Securities	22,186,497	22,186,497	-	-
Partnership Investments	449,999	-	-	449,999
Mutual Funds				
Equities	229,648,239	229,648,239	-	-
Bonds	104,804,429	104,804,429	-	-
Money Market	84,549,787	84,549,787	-	-
Beneficial Interest Assets	23,944,033	-	-	23,944,033
Total investments by fair value level	470,825,622	\$ 444,962,650	\$ 1,468,940	\$ 24,394,032
Investments measured at the net asset value (NAV)				
Partnership Investments				
Private Equity	61,893,548			
Fixed Income	23,825,033			
Real Asset	41,677,440			
Mutual Funds				
Equities	282,586,897			
Bonds	114,336,095			
Total investments measured at the NAV	524,319,013			
Total investments measured at fair value	995,144,635			
Other				
Security Pledged to Swap Counterparty	3,960,000			
Equity Method Investment	424,481			
Total Other Investments	4,384,481			
Total Component Unit Investments	\$ 999,529,116			

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	\$ 61,893,548	\$ 23,306,235	NA	NA
Fixed Income	23,825,033	2,623,107	Monthly	3-5 days
Real Asset	41,677,440	11,625,568	NA	NA
Mutual Funds:				
Equities	282,586,897	-	Daily/Monthly	2-30 days
Bonds	114,336,095	-	Weekly	0-7 days
Total investments measured at the NAV	\$ 524,319,013	\$ 37,554,910		

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, 2021:

University Debt Investment Maturity and Quality Ratings

Investment Type	Weighted Average Maturities	Credit Quality Rating		Fair Value
		Moody's	Standard and Poor's	
United States Treasury Securities (2)	3.70 Years	(1)	(1)	\$ 21,844,355
Bonds and Notes (2)	4.13 Years	Aaa - A3	AAA - A-	27,026,984
Bonds and Notes (2)	0.84 Years	Not Rated	AA+	309,602
Bond Mutual Funds (3)	2.98 Years	Not Rated	Not Rated	477,389,701
Money Market Mutual Funds (2)	25 Days	Aaa-mf	AAAm	1,688,064
Money Market Mutual Funds (3)	33 Days	Aaa-mf	AAAm	100,874,954
Total				\$ 629,133,660

- (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 Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1-5	6-10	More Than 10
Bonds and Notes	\$ 1,468,940	\$ 48,747	\$ 598,489	\$ 250,920	\$ 570,784
Partnership Fixed Income	23,825,033	774,735	23,050,298	-	-
Mutual Funds:					
Bonds	219,140,524	40,717,943	178,339,981	82,600	-
Money Market	84,549,787	84,549,787	-	-	-
Total	\$ 328,984,284	\$ 126,091,212	\$ 201,988,768	\$ 333,520	\$ 570,784

Discretely Presented Component Units Quality Ratings (1)

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Bonds and Notes	\$ 1,468,940	\$ 545,086	\$ 29,948	\$ 313,590	\$ 580,316
Partnership Fixed Income	23,825,033	-	-	-	23,825,033
Mutual Funds:					
Bonds	219,140,524	17,815,164	20,265,320	13,239,956	167,820,084
Money Market	84,549,787	36,386,525	-	-	48,163,262
Total	\$ 328,984,284	\$ 54,746,775	\$ 20,295,268	\$ 13,553,546	\$ 240,388,695

- (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, 2021.

4. 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, 2021, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 80,396,464
Student Tuition and Fees	12,624,613
USF Health Sciences Center Self-Insurance	7,563,918
Other	<u>9,222,378</u>
Total Accounts Receivable	<u><u>\$ 109,807,373</u></u>

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

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of \$9,999,163 and \$2,136,511, respectively, at June 30, 2021.

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

5. Due From State

The amount due from State consists of \$1,105,303 of Public Education Capital Outlay, and \$30,735,969 from Capital Improvement Fee Trust Fund allocations due from the State to the University for construction of University facilities.

6. Due From Component Units

The \$26,253,626 reported as due from component units consists of amounts owed to the University from the University of South Florida Research Foundation, Inc. (\$14,857,181) for grant and special project-related revenue, administrative overhead rebate, and the value of publicly traded equity shares from intellectual property licensing agreements; from Sun Dome, Inc. (\$98,115) for other operating revenue; from the USF Financing Corporation for interest rate swap collateral (\$3,255,300); from the University of South Florida Alumni Association (\$19,693) for payroll expenses; from the USF Institute of Applied Engineering, Inc. (\$1,559,066) for salaries and other operating expenses at USF as well as shared services fees; from the University Medical Service Association, Inc. (\$4,477,456) for salaries and other operating expenses at USF and payments from HCA West Florida to support the Graduate Medical Education (GME) program; from the University of South Florida Foundation, Inc. (\$1,966,851) primarily for funds supporting the construction of the Judy Genshaft Honors College facility, net of amounts owed by the University for funds supporting the construction of the USF Health Morsani College of Medicine and Heart Institute project; and from the USF Health Professions Conferencing Corporation (\$19,964) for 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.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 23,648,989	\$ -	\$ 2,238,104	\$ 21,410,885
Works of Art and Historical Treasures	1,302,757	-	352,613	950,144
Other Capital Assets	1,173,750	-	-	1,173,750
Construction in Progress	13,673,845	38,147,206	26,030,070	25,790,981
Total Nondepreciable Capital Assets	\$ 39,799,341	\$ 38,147,206	\$ 28,620,787	\$ 49,325,760
Depreciable Capital Assets:				
Buildings	\$ 1,558,154,586	\$ 17,667,298	\$ -	\$ 1,575,821,884
Infrastructure and Other Improvements	86,269,136	1,463,023	-	87,732,159
Furniture and Equipment	219,450,402	15,294,498	4,456,981	230,287,919
Library Resources	36,838,945	1,398,223	6,608,421	31,628,747
Property Under Capital Leases and Leasehold Improvements	226,305,092	34,560,889	227,386	260,638,595
Works of Art and Historical Treasures	345,600	343,813	-	689,413
Other Capital Assets	14,605,200	20,640	2,621,379	12,004,461
Total Depreciable Capital Assets	2,141,968,961	70,748,384	13,914,167	2,198,803,178
Less, Accumulated Depreciation:				
Buildings	598,713,658	41,312,124	-	640,025,782
Infrastructure and Other Improvements	45,537,718	3,474,799	-	49,012,517
Furniture and Equipment	145,182,259	15,364,191	4,316,503	156,229,947
Library Resources	16,839,576	2,982,870	6,528,010	13,294,436
Property Under Capital Leases and Leasehold Improvements	76,595,006	14,814,120	-	91,409,126
Works of Art and Historical Treasures	331,950	86,515	-	418,465
Other Capital Assets	13,140,589	250,824	2,057,039	11,334,374
Total Accumulated Depreciation	896,340,756	78,285,443	12,901,552	961,724,647
Total Depreciable Capital Assets, Net	\$ 1,245,628,205	\$ (7,537,059)	\$ 1,012,615	\$ 1,237,078,531

8. Service Concession Arrangement

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

University reports housing facilities and infrastructure with a carrying amount of \$113,815,229, a dining facility fee liability in the amount of \$4,659,726, and deferred inflows of resources in the amount of \$111,376,974 at year-end pursuant to the service concession arrangement.

9. Unearned Revenue

Unearned revenue at June 30, 2021, 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, 2021, 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, 2021, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 33,678,590
Capital Appropriations	334,685
Auxiliary Prepayments	<u>4,133,941</u>
Total Unearned Revenue	<u>\$ 38,147,216</u>

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2021, include capital improvement debt payable, installment purchases payable, capital leases payable, estimated insurance claims payable, compensated absences payable, Federal advances payable, dining facility fee payable, revenue received in advance, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$ 12,335,875	\$ -	\$ 2,653,480	\$ 9,682,395	\$ 2,703,479
Installment Purchases Payable	340,595	346,510	165,697	521,408	170,903
Capital Leases Payable	214,233,360	30,140,000	11,165,895	233,207,465	11,573,040
Estimated Insurance Claims Payable	30,572,671	3,714,349	2,092,673	32,194,347	1,202,500
Compensated Absences Payable	94,532,894	16,208,001	10,022,921	100,717,974	9,068,239
Federal Advance Payable	2,003,671	-	526,123	1,477,548	-
Dining Facility Fee Payable	4,683,171	-	23,445	4,659,726	24,851
Revenue Received in Advance	20,000,000	-	733,333	19,266,667	800,000
Other Postemployment					
Benefits Payable	556,271,661	305,250,245	338,143,006	523,378,900	8,491,953
Net Pension Liability	375,949,071	233,429,135	164,745,629	444,632,577	998,780
Total Long-Term Liabilities	<u>\$ 1,310,922,969</u>	<u>\$ 589,088,240</u>	<u>\$ 530,272,202</u>	<u>\$ 1,369,739,007</u>	<u>\$ 35,033,745</u>

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2021:

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	\$ 9,682,395	2.2	2026
Total Capital Improvement Debt	\$ 21,545,000	\$ 9,682,395		

(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 \$9,682,395 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 \$10,278,230 and principal and interest paid for the current year totaled \$2,937,910. During the 2020-21 fiscal year, traffic and parking fees, and transportation access fees totaled \$5,839,719 and \$3,247,664, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2021, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 2,715,000	\$ 214,280	\$ 2,929,280
2023	2,780,000	154,550	2,934,550
2024	1,950,000	93,390	2,043,390
2025	1,135,000	50,490	1,185,490
2026	1,160,000	25,520	1,185,520
Subtotal	9,740,000	538,230	10,278,230
Deferred Loss on Refunding	(57,605)	-	(57,605)
Total	\$ 9,682,395	\$ 538,230	\$ 10,220,625

Installment Purchases Payable. The University has entered into installment purchase agreements for the purchase of equipment reported at \$851,835. 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. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 186,460
2023	147,303
2024	147,303
2025	74,242
Total Minimum Payments	555,308
Less, Amount Representing Interest	33,900
Present Value of Minimum Payments	<u>\$ 521,408</u>

Capital Leases Payable. The University has entered into capital lease agreements for equipment in the amount of \$450,152. The stated interest rate is 5.8 percent. In addition, the University has capital leases payable to USF Financing Corporation for debt used to finance the construction of various buildings, building improvements, and infrastructure.

The underlying debt of the capital leases payable to USF Financing Corporation as of June 30, 2021, is as follows:

<u>Debt Type and Series</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Bonds:				
Series 2015 Marshall Center	\$31,595,000	\$25,470,000	3.65-5.00	2036
Notes:				
Series 2013 Arena (1)	20,000,000	14,338,333	4.78	2033
Series 2018A Athletics (1)	6,843,759	6,371,786	2.25	2030
Series 2018B Athletics (1)	9,354,110	8,734,890	2.25	2031
Certificates of Participation:				
Series 2003A Athletics	9,905,000	2,035,000	3.82	2022
Series 2012A Housing	77,015,000	75,035,000	5.00	2035
Series 2012B Housing	68,975,000	51,125,000	4.67	2037
Series 2015A Housing	23,640,000	5,525,000	2.63-5.00	2023
Series 2018 Housing	30,140,000	29,615,000	4.00-5.00	2048
Series 2019 Housing	15,510,000	14,885,000	3.25-5.00	2040
Total	<u>\$292,977,869</u>	<u>\$ 233,135,009</u>		

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

Additional information regarding long-term debt of USF Financing Corporation is presented in Note 11.

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 22,190,030
2023	22,156,107
2024	21,411,745
2025	21,467,260
2026	21,527,952
2027-2031	107,637,804
2032-2036	85,778,797
2037-2041	18,463,481
2042-2046	9,510,200
2047-2048	3,801,400
Total Minimum Payments	333,944,776
Less, Amount Representing Interest	100,737,311
Present Value of Minimum Payments	<u>\$ 233,207,465</u>

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave 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, 2021, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$100,717,974. The current portion of the compensated absences liability, \$9,068,239, 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 \$1,477,548.

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, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 300,000
2023	300,000
2024	300,000
2025	300,000
2026	300,000
2027-2031	1,500,000
2032-2036	1,500,000
2037-2041	1,500,000
2042-2046	1,500,000
2047-2051	1,500,000
2052-2056	1,500,000
2057-2061	1,500,000
2062-2064	900,000
Total Minimum Payments	12,900,000
Less, Amount Representing Interest	8,240,274
Present Value of Minimum Payments	<u>\$ 4,659,726</u>

Revenue Received in Advance. Revenue received in advance is rent received in advance from Tampa General Hospital for the lease of space in the USF Health Morsani College of Medicine and Heart Institute. The initial lease term is 25 years with a commencement date of August 1, 2020. Total revenue received in advance at June 30, 2021, was \$19,266,667, with \$800,000 expected to be earned during the 2021-22 fiscal year.

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

General Information about the OPEB Plan

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

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

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

Proportionate Share of the Total OPEB Liability

The University’s proportionate share of the total OPEB liability of \$523,378,900 was measured as of June 30, 2020, and was determined by an actuarial valuation as of July 1, 2020. At June 30, 2020, the University’s proportionate share, determined by its proportion of total benefit payments made, was 5.09 percent, which was an increase of 0.7 from its proportionate share reported as of July 1, 2019.

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	2.66 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:

- **Census Data** – The census data reflects changes in status for the 12-month period since July 1, 2020.
- **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 2.79 percent to 2.66 percent.

- **Mortality** – Mortality 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. Rates were previously based on RP-2000 mortality tables with fully generational improvement using Scale BB. Underlying tables were updated to use Pub-2010 mortality tables with fully generational improvement using Scale MP-2018. This change decreased the Total OPEB Liability by about 5 percent.
- **Excise (“Cadillac”) Tax** – The previous valuation conducted as of July 1, 2019 reflected the full impact of the Excise Tax that was to go into effect in 2022. The impact of this change was an increase in liabilities of about 12 percent. Since the previous valuation, this tax was repealed. The current valuation reflects this. The impact of this change is a decrease in the Total OPEB Liability of about 13 percent.
- **Claims Costs and Premium Rates** – The assumed claims and premiums reflect the actual claims information provided as well as the premiums that are actually being charged to participants. The recent favorable claims experience resulted in lower liabilities as of June 30, 2020.
- **Trend Rate** – The medical trend assumption was updated based on the Getzen Model. Medical trend rates consistent with the August 2020 Report on the Financial Outlook of the Plan were used along with information from the Getzen Model and actuarial judgement. The impact of the trend rate changes is a small decrease in the liability, due primarily to lower trend rates in the first several years.
- **Active Medical Plan Elections** – Most actively employed participants in the Plan are health plan subscribers. Those participants are assumed to continue their current health coverage into retirement. For those who are not currently covered under the health plan, 72 percent are assumed to elect PPO coverage in retirement. The remaining 28 percent are assumed to elect HMO coverage. This assumption is based on guidance provided by the DSGI in an email on September 22, 2020. This change resulted in a small decrease in the Total OPEB Liability.

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 (1.66 percent) or 1 percentage point higher (3.66 percent) than the current rate:

	1% Decrease (1.66%)	Current Discount Rate (2.66%)	1% Increase (3.66%)
University’s proportionate share of the total OPEB liability	\$655,498,843	\$523,378,900	\$423,697,650

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University's proportionate share of the total OPEB liability	\$413,446,751	\$523,378,900	\$674,747,558

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

For the fiscal year ended June 30, 2021, the University recognized OPEB expense of \$38,230,987. At June 30, 2021, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 30,579,578
Change of assumptions or other inputs	69,192,431	198,065,597
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	104,842,042	612,246
Transactions subsequent to the measurement date	8,704,545	-
Total	<u>\$ 182,739,018</u>	<u>\$ 229,257,421</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$8,704,545 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$(13,673,942)
2023	(13,673,942)
2024	(13,673,942)
2025	(13,673,942)
2026	(3,285,642)
Thereafter	2,758,462
Total	<u>\$(55,222,948)</u>

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, 2021, the University's proportionate share of the net pension liabilities totaled \$444,632,577. Note 12. includes a complete discussion of defined benefit pension plans.

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

Long-term liabilities of the USF Financing Corporation at June 30, 2021, include a mortgage loan payable, notes payable, bonds payable, and certificates of participation payable. Long-term liabilities activity for the year ended June 30, 2021, was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
Bonds Payable	\$ 27,670,000	\$ -	\$ 1,075,000	\$ 26,595,000	\$ 1,125,000
Certificates of Participation Payable	133,785,000	-	4,000,000	129,785,000	4,725,000
Direct Borrowings and Placements:					
Mortgage Loan Payable	3,380,202	-	230,038	3,150,164	240,247
Notes Payable	72,925,810	30,055,810	33,779,114	69,202,506	3,937,623
Certificates of Participation Payable	109,090,000	-	5,490,000	103,600,000	5,695,000
Long Term Liabilities	346,851,012	30,055,810	44,574,152	332,332,670	15,722,870
Original Issue Premium	11,310,901	-	1,660,573	9,650,328	
Total Long Term Liabilities	\$ 358,161,913	\$ 30,055,810	\$ 46,234,725	\$ 341,982,998	

Mortgage Loan Payable.

The USF Financing Corporation had a mortgage loan payable outstanding at June 30, 2021, as follows:

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>	<u>Percent of Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Series 2019 UDI Building	\$ 3,600,000	\$ 3,150,164	4.33	2019	2031
Total	\$ 3,600,000	\$ 3,150,164			

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

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

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

Mortgage Loan Payable – Schedule of Payments.

The following is a schedule of future payments payable under the mortgage loan agreement as of June 30, 2021:

<u>Fiscal Year ending June 30</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 240,247	\$ 135,722
2023	250,910	125,059
2024	261,742	114,227
2025	273,664	102,306
2026	285,810	90,160
2027-2031	1,630,777	249,070
2032	207,014	4,581
Total Minimum Payments	\$ 3,150,164	\$ 821,125

Notes Payable.

The USF Financing Corporation had notes payable outstanding at June 30, 2021 as follows:

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>	<u>Percent of Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Series 2013 Arena	\$ 20,000,000	\$ 15,055,000	4.78	2013	2033
Series 2018A Athletics	6,843,759	6,371,786	2.25	2020	2030
Series 2018B Athletics	9,354,110	8,734,890	2.25	2020	2031
Series 2018 CAMLS	13,857,941	12,940,578	2.25	2020	2031
Series 2019 Research Lab	27,000,000	26,100,252	3.22	2019	2039
Total	\$ 77,055,810	\$ 69,202,506			

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

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

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

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

outstanding if prepaid during the first five years of the loan; 100.5 percent if prepaid between the fifth and tenth years of the loan; and 100 percent if prepaid after the tenth anniversary of the loan.

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, 2021, the unamortized balance of the deferred outflow was \$64,229. 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, 2021, the unamortized balance of the deferred outflow was \$88,240. 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 rental payments to the USF Financing Corporation in an amount equal to 100 percent of principal and interest due on the notes, together with all other amounts due on the notes. The rental payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

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

prepaid during the first five years of the loan; 100.5 percent if prepaid between the fifth and tenth years of the loan; and 100 percent if prepaid after the tenth anniversary of the loan.

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, 2021, the unamortized balance of the deferred outflow was \$130,725. 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 rental payments to the USF Financing Corporation in an amount equal to 100 percent of principal and interest due on the Note, together with all other amounts due on the Note. The rental payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

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

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

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

Notes Payable – Schedule of Payments.

The following is a schedule of future payments payable under the loan agreements as of June 30, 2021:

<u>Fiscal Year Ending June 30</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 3,937,623	\$ 2,507,073
2023	4,157,316	2,358,398
2024	4,393,059	2,203,046
2025	4,640,557	2,035,654
2026	4,900,562	1,860,736
2027-2031	28,019,505	6,315,631
2032-2036	11,907,564	2,085,125
2037-2040	7,246,320	497,440
Total Minimum Payments	\$ 69,202,506	\$ 19,863,103

Bonds Payable.

The USF Financing Corporation had bonds outstanding at June 30, 2021 as follows:

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>	<u>Percent of Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Series 2015 Marshall Center	\$ 31,595,000	\$ 26,595,000	3.65–5.00	2015	2036
Total	<u>\$ 31,595,000</u>	<u>\$ 26,595,000</u>			

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, 2021, the unamortized balance of the deferred outflow of resources was \$173,642. The USF Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 21 years by \$4.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3.3 million.

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

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

Bonds Payable – Schedule of Payments.

The following is a schedule of future payments payable under the bond agreements as of June 30, 2021:

<u>Fiscal Year Ending June 30</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,125,000	\$ 1,242,770
2023	1,185,000	1,185,020
2024	1,240,000	1,124,395
2025	1,305,000	1,060,770
2026	1,365,000	994,020
2027–2031	7,940,000	3,845,725
2032–2036	10,135,000	1,611,903
2037	2,300,000	43,125
Total Minimum Payments	26,595,000	<u>\$ 11,107,728</u>
Unamortized Premium	<u>1,732,759</u>	
Bonds Payable	<u>\$28,327,759</u>	

Certificates of Participation Payable.

The USF Financing Corporation had Certificates of Participation (Certificates) outstanding at June 30, 2021 as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue/ Acceptance Date	Maturity Date
Series 2012A Housing	\$ 77,015,000	\$ 75,365,000	4.00–5.00	2015	2035
Series 2015A Housing	23,640,000	8,900,000	2.63–5.00	2015	2023
Series 2018 Housing	30,140,000	30,140,000	4.00–5.00	2019	2048
Series 2019 Housing	15,510,000	15,380,000	3.25–5.00	2019	2040
Direct Placements:					
Series 2003A Athletics	9,905,000	2,035,000	3.82	2011	2022
Series 2012B Housing	68,975,000	53,425,000	4.67	2012	2037
Series 2013A Health	37,920,000	31,610,000	2.71	2016	2036
Series 2013B Health	17,925,000	16,530,000	3.39	2018	2037
Total	\$ 281,030,000	\$ 233,385,000			

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

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

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

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

The USF Financing Corporation has subleased the North Clinic Facility, the South Clinic Facility, and the Medical Office Building to University Medical Service Association (UMSA), a direct-support organization of the University, pursuant to individual office building lease agreements. UMSA makes basic rent payments to the USF Financing Corporation in an amount equal to 120 percent of principal and interest due on the Series 2013A Certificates, together with all other amounts due on the Notes. The rental payments are recorded as capital leases receivable pursuant to GASB Statement No. 62.

Series 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, 2021, the unamortized balance of the deferred inflow of resources was \$70,263. 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, 2021, the unamortized balance of the deferred outflow of resources was \$611,179. The USF Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 21 years by \$2.7 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1.8 million.

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

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

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

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

Series 2007 Housing Certificates. The Certificates, which mature in 2037, are subject to a mandatory purchase on October 1, 2024.

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

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

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

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

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

Certificates of Participation Payable – Schedule of Payments.

The following is a schedule of future payments payable under the certificate of participation agreements as of June 30, 2021:

<u>Fiscal Year ending June 30</u>	<u>Certificates</u>		<u>Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 4,725,000	\$ 6,019,422	\$ 5,695,000	\$ 3,871,881
2023	4,885,000	5,819,250	5,880,000	3,652,479
2024	5,125,000	5,569,000	5,000,000	3,456,466
2025	5,665,000	5,299,250	5,140,000	3,264,427
2026	5,970,000	5,008,375	5,310,000	3,066,285
2027–2031	34,820,000	20,114,625	29,270,000	12,110,003
2032–2036	44,725,000	10,378,013	34,320,000	6,034,934
2037–2041	11,095,000	3,897,700	12,985,000	502,122
2042–2046	7,500,000	1,852,700	-	-
2047–2051	5,275,000	321,900	-	-
Total Minimum Payments	129,785,000	\$ 64,280,235	103,600,000	\$ 35,958,597
Unamortized Premium	7,917,568		-	
Certificates of Participation Payable	\$ 137,702,568		\$ 103,600,000	

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 \$40,020,147 at June 30, 2021, 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, 2021, 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, 2021:

<u>Underlying Bond Issue</u>	<u>Counter-party</u>	<u>Initial Notional Amount of Swap</u>	<u>Outstanding Amount of Swap</u>	<u>Effective Date</u>	<u>Initial Term (Years)</u>	<u>Semi Annual Fixed Rate Percentage</u>	<u>Fair value June 30, 2021</u>	<u>Cash Flow</u>
Series 2012B	Royal Bank of Canada	\$ 73,700,000	\$ 53,425,000	9-25-07	30	3.939	\$ (13,788,207)	\$ (2,085,525)

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, 2021, was (\$13,966,342). 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, 2021, of (\$13,788,207) 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, 2021, was \$4,336,071 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, 2021:

<u>Fiscal Year Ending June 30</u>	<u>Interest</u>
2022	\$ 2,013,814
2023	1,920,262
2024	1,822,772
2025	1,722,328
2026	1,617,944
2027–2031	7,991,246
2032–2036	3,085,222
2037–2038	164,453
Total Interest Payments	\$ 20,338,041

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, 2021, the total posted collateral was \$3,960,000. This amount is classified as security pledged to counterparty in the USF Financing Corporation’s Statement of Net Position at June 30, 2021.

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

The USF Financing Corporation Board of Directors has adopted a written Board of Trustees Derivatives Policy that prohibits the use of speculative types of swaps or derivatives. The Board of Directors has

also adopted a written Debt Management Policy that requires the USF Financing Corporation to engage only counterparties with ratings of “AA-“ or better at the time the USF Financing Corporation enters into the agreement.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. 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 \$86,333,247 for the fiscal year ended June 30, 2021.

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:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-21 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
FRS, Special Risk	3.00	24.45
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
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 \$30,391,134 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of \$354,124,653 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.817057250 percent, which was a decrease of 0.027688844 from its proportionate share measured as of June 30, 2019.

For the year ended June 30, 2021, the University recognized pension expense of \$77,881,433. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,553,071	\$ -
Change of assumptions	64,107,829	-
Net difference between projected and actual earnings on FRS Plan investments	21,084,922	-
Changes in proportion and differences between University contributions and proportionate share of contributions	8,261,463	5,877,212
University FRS contributions subsequent to the measurement date	30,391,134	-
Total	\$ 137,398,419	\$ 5,877,212

The deferred outflows of resources totaling \$30,391,134, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 21,751,550
2023	32,762,429
2024	27,848,402
2025	15,991,860
2026	2,775,832
Total	\$ 101,130,073

Actuarial Assumptions. The total pension liability in the July 1, 2020, 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, 2020, 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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 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 2020 valuation was updated from 6.90 percent to 6.80 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.80 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:

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
University's proportionate share of the net pension liability	\$565,477,558	\$354,124,653	\$177,601,788

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.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2021, 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, 2021, 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 \$4,173,795 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the University reported a liability of \$90,507,924 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The University's proportionate share of the net pension liability was based on the University's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the University's proportionate share was 0.741270524 percent, which was a decrease of 0.018674805 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the University recognized pension expense of \$8,451,814. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 3,702,323	\$ 69,821
Change of assumptions	9,732,180	5,262,683
Net difference between projected and actual earnings on HIS Plan investments	72,262	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	3,260,295	1,717,217
University HIS contributions subsequent to the measurement date	4,173,795	-
Total	\$ 20,940,855	\$ 7,049,721

The deferred outflows of resources totaling \$4,173,795, 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 3,205,205
2023	2,225,959
2024	710,972
2025	1,172,757
2026	1,428,376
Thereafter	974,070
Total	\$ 9,717,339

Actuarial Assumptions. The total pension liability at July 1, 2020, 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	2.21 percent

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

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 2.21 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 2020 valuation was updated from 3.50 percent to 2.21 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 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
University's proportionate share of the net pension liability	\$104,623,120	\$90,507,924	\$78,954,676

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.

13. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's 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 2020-21 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. 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, 2021, 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 \$8,709,814 for the fiscal year ended June 30, 2021.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.44 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.59 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$27,851,482, and employee contributions totaled \$17,338,066 for the 2020-21 fiscal year.

14. Construction Commitments

The University's construction commitments at June 30, 2021, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Judy Genshaft Honors College	\$ 51,495,382	\$ 12,283,413	\$ 39,211,969
USF Wellness Center Complex	25,402,449	1,228,468	24,173,981
Football Reception Upgrade	4,281,532	1,387,915	2,893,617
Subtotal	81,179,363	14,899,796	66,279,567
Other Projects (1)	49,391,565	10,891,185	38,500,380
Total	\$ 130,570,928	\$ 25,790,981	\$ 104,779,947

(1) Individual projects with a current balance committed of less than \$4 million at June 30, 2021.

15. State Self-Insurance Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2020-21 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 \$62.75 million for named windstorm and flood through February 14, 2021, and decreased to \$57.5 million starting February 15, 2021. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$162.25 million through February 14, 2021, and increased to \$167.5 million starting February 15, 2021; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

16. University Self-Insurance Program

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

The USFBOT and other immune entities, as well as the above covered individuals, are protected for losses subject to Section 768.28, Florida 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 15.

The Program's estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. Changes in the Program's claim liability amount for the fiscal years ended June 30, 2020, and June 30, 2021, are presented in the following table:

<u>Fiscal Year</u>	<u>Claims Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Claims Liability End Of Year</u>
2019-20	\$ 29,357,862	\$ 2,849,185	\$ (1,634,376)	\$ 30,572,671
2020-21	30,572,671	3,714,349	(2,092,673)	32,194,347

17. Litigation

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

18. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 450,570,289
Research	313,613,984
Public Services	20,601,535
Academic Support	151,728,775
Student Services	62,230,238
Institutional Support	96,967,863
Operation and Maintenance of Plant	76,739,196
Scholarships, Fellowships, and Waivers	139,024,462
Depreciation	78,285,443
Auxiliary Enterprises	134,149,544
Loan Operations	161,593
Total Operating Expenses	\$ 1,524,072,922

19. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition,

the activity's related revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are required to be accounted for separately. The following financial information for the University's Parking facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Position

	Parking Facilities
Assets	
Current Assets	\$ 14,149,209
Capital Assets, Net	34,916,129
Other Noncurrent Assets	11,998,026
Total Assets	61,063,364
Deferred Outflows of Resources	1,552,431
Liabilities	
Current Liabilities	2,791,441
Noncurrent Liabilities	11,677,133
Total Liabilities	14,468,574
Deferred Inflows of Resources	1,102,312
Net Position	
Net Investment in Capital Assets	25,233,733
Restricted - Expendable	12,340,903
Unrestricted	9,470,273
Total Net Position	\$ 47,044,909

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

	Parking Facilities
Operating Revenues	\$ 9,093,908
Depreciation Expense	(1,677,814)
Other Operating Expenses	(8,734,086)
Operating Loss	(1,317,992)
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	122,502
Interest Expense	(284,431)
Net Nonoperating Expenses	(161,929)
Loss Before Other Revenues	(1,479,921)
Transfers from Other University Funds	688,093
Decrease in Net Position	(791,828)
Net Position, Beginning of Year	47,836,737
Net Position, End of Year	\$ 47,044,909

Condensed Statement of Cash Flows

	Parking Facilities
Net Cash Provided (Used) by:	
Operating Activities	\$ 246,401
Capital and Related Financing Activities	(3,908,907)
Investing Activities	3,027,265
Net Decrease in Cash and Cash Equivalents	(635,241)
Cash and Cash Equivalents, Beginning of Year	3,190,329
Cash and Cash Equivalents, End of Year	\$ 2,555,088

20. Blended Component Unit

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

Condensed Statement of Net Position

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Other Current Assets	\$ 11,988,859	\$ 904,768,204	\$ -	\$ 916,757,063
Capital Assets, Net	2,030	1,286,402,261	-	1,286,404,291
Other Noncurrent Assets	76,254,614	11,740,472	-	87,995,086
Total Assets	88,245,503	2,202,910,937	-	2,291,156,440
Deferred Outflows of Resources	-	341,078,292	-	341,078,292
Liabilities:				
Other Current Liabilities	1,264,823	146,478,153	-	147,742,976
Noncurrent Liabilities	30,991,847	1,303,713,415	-	1,334,705,262
Total Liabilities	32,256,670	1,450,191,568	-	1,482,448,238
Deferred Inflows of Resources	-	353,561,328	-	353,561,328
Net Position:				
Net Investment in Capital Assets	2,030	929,674,027	-	929,676,057
Restricted - Expendable	55,986,803	191,968,409	-	247,955,212
Unrestricted	-	(381,406,103)	-	(381,406,103)
Total Net Position	\$ 55,988,833	\$ 740,236,333	\$ -	\$ 796,225,166

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

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Operating Revenues	\$ 5,897,161	\$ 790,032,045	\$ (566,212)	\$ 795,362,994
Depreciation Expense	(945)	(78,284,498)	-	(78,285,443)
Other Operating Expenses	(6,853,423)	(1,439,500,268)	566,212	(1,445,787,479)
Operating Loss	(957,207)	(727,752,721)	-	(728,709,928)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	9,333,814	717,733,057	-	727,066,871
Interest Expense	-	(11,569,433)	-	(11,569,433)
Other Nonoperating Expense	-	(27,743,156)	-	(27,743,156)
Net Nonoperating Revenues	9,333,814	678,420,468	-	687,754,282
Other Revenues	-	17,575,100	-	17,575,100
Increase (Decrease) in Net Position	8,376,607	(31,757,153)	-	(23,380,546)
Net Position, Beginning of Year	47,612,226	771,993,486	-	819,605,712
Net Position, End of Year	\$ 55,988,833	\$ 740,236,333	\$ -	\$ 796,225,166

Condensed Statement of Cash Flows

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	\$ 1,974,245	\$ (562,038,789)	\$ -	\$ (560,064,544)
Noncapital Financing Activities	-	676,358,356	-	676,358,356
Capital and Related Financing Activities	(1,225)	(62,197,981)	-	(62,199,206)
Investing Activities	(1,439,707)	(49,999,212)	-	(51,438,919)
Net Increase in Cash and Cash Equivalents	533,313	2,122,374	-	2,655,687
Cash and Cash Equivalents, Beginning of Year	2,362,158	65,345,348	-	67,707,506
Cash and Cash Equivalents, End of Year	<u>\$ 2,895,471</u>	<u>\$ 67,467,722</u>	<u>\$ -</u>	<u>\$ 70,363,193</u>

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21. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations			
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.
Assets:				
Current Assets	\$ 142,905,854	\$ 788,701	\$ 2,732,252	\$ 1,105,736
Capital Assets, Net	14,632,732	-	15,472,618	678,766
Other Noncurrent Assets	766,417,987	10,035,148	-	-
Total Assets	923,956,573	10,823,849	18,204,870	1,784,502
Deferred Outflows of Resources	-	-	119,815	-
Liabilities:				
Current Liabilities	3,702,347	344,945	3,269,914	354,463
Noncurrent Liabilities	4,851,283	2,058,752	11,449,585	2,108,072
Total Liabilities	8,553,630	2,403,697	14,719,499	2,462,535
Deferred Inflows of Resources	26,172,531	16,213	1,125,932	-
Net Position:				
Net Investment in Capital Assets	10,691,311	-	2,775,914	678,766
Restricted Nonexpendable	371,482,143	1,061,122	-	-
Restricted Expendable	481,693,174	718,958	-	-
Unrestricted	25,363,784	6,623,859	(296,660)	(1,356,799)
Total Net Position	\$ 889,230,412	\$ 8,403,939	\$ 2,479,254	\$ (678,033)

- (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
\$ 2,086,318	\$ 42,297,396	\$ 38,572,847	\$ 109,802,405	\$ 201	\$ 340,291,710
696,010	40,930,703	17,585,916	50,731,183	-	140,727,928
-	47,470,230	317,575,090	679,275	424,481	1,142,602,211
2,782,328	130,698,329	373,733,853	161,212,863	424,682	1,623,621,849
-	-	14,856,222	-	-	14,976,037
2,219,519	18,244,347	27,183,846	45,572,925	426,087	101,318,393
-	16,561,755	340,048,335	44,217,916	-	421,295,698
2,219,519	34,806,102	367,232,181	89,790,841	426,087	522,614,091
-	-	87,006	-	-	27,401,682
696,010	23,983,040	2,243,991	3,982,323	-	45,051,355
-	-	-	-	-	372,543,265
-	15,389,003	16,494,631	-	-	514,295,766
(133,201)	56,520,184	2,532,266	67,439,699	(1,405)	156,691,727
\$ 562,809	\$ 95,892,227	\$ 21,270,888	\$ 71,422,022	\$ (1,405)	\$ 1,088,582,113

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	\$ 66,799,146	\$ 2,134,732	\$ 8,674,203	\$ 1,362,912
Operating Expenses	(71,366,840)	(2,374,878)	(9,739,754)	(2,070,369)
Operating Income (Loss)	(4,567,694)	(240,146)	(1,065,551)	(707,457)
Net Nonoperating Revenues (Expenses)	192,378,400	2,599,506	(18,127)	(249,687)
Other Revenues	13,365,254	44,744	-	-
Increase (Decrease) in Net Position	201,175,960	2,404,104	(1,083,678)	(957,144)
Net Position, Beginning of Year	688,054,452	5,999,835	3,562,932	279,111
Net Position, End of Year	<u>\$ 889,230,412</u>	<u>\$ 8,403,939</u>	<u>\$ 2,479,254</u>	<u>\$ (678,033)</u>

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

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
\$ 5,692,504 (6,353,377)	\$ 20,355,140 (10,222,996)	\$ 14,347,825 (639,304)	\$ 347,708,534 (323,397,022)	\$ - (516)	\$ 467,074,996 (426,165,056)
(660,873)	10,132,144	13,708,521	24,311,512	(516)	40,909,940
732,355	15,833,909	(12,916,071)	603,975	156,498	199,120,758
337,666	-	(2,246,146)	-	117,589	11,619,107
409,148	25,966,053	(1,453,696)	24,915,487	273,571	251,649,805
153,661	69,926,174	22,724,584	46,506,535	(274,976)	836,932,308
\$ 562,809	\$ 95,892,227	\$ 21,270,888	\$ 71,422,022	\$ (1,405)	\$ 1,088,582,113

22. Subsequent Events

On September 21, 2021, the USF Financing Corporation Board of Directors approved a resolution authorizing the acceptance of the cancellation and release of the promissory note presented by INTO USF, Inc. The USF Financing Corporation has been a 50 percent shareholder in INTO USF, Inc. since 2010. At that time, the USF Financing Corporation approved a promissory note to lend to INTO USF, Inc. with amounts not to exceed \$2,250,000, and to be repaid in full, together with all accrued but unpaid interest, on January 17, 2024. There were no borrowings or outstanding borrowings on the promissory note for the year ended June 30, 2021. The cancellation and release of the promissory note will be effective upon approval by the INTO USF, Inc. Board of Directors and execution of the form of cancellation and release.

On October 1, 2021, the USF Financing Corporation converted and reissued its Certificates of Participation, Series 2013A and Series 2013B, from tax-exempt interest rates to taxable interest rates. The conversion was necessitated as a result of the University entering into an amended and restated affiliation agreement, executed as of July 21, 2020, and effective on October 1, 2021, with Tampa General Hospital. Given the terms of the affiliation agreement and the rights to use the medical clinics and medical office building, that were initially financed with the Series 2013A and Series 2013B Certificates, the USF Financing Corporation, based on advice of its special counsel, treated October 1, 2021, as a Determination of Taxability, as described in the Series 2013A and Series 2013B supplemental trust agreements, which caused the interest rates on the Series 2013A and Series 2013B Certificates to be automatically converted from tax-exempt interest rates to taxable interest rates. The USF Financing Corporation and JPMorgan Chase Bank, N.A. have agreed that the Series 2013A Certificates shall bear interest at a taxable 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 USF Financing Corporation and STI Institutional & Government, Inc. (Truist Bank) have agreed that the Series 2013B Certificates shall bear interest at the taxable rate of 4.29 percent per annum through July 1, 2037, the final scheduled maturity date.

These transactions do not impact the financial statements for the year ended June 30, 2021.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017
University's proportion of the total other postemployment benefits liability	5.09%	4.39%	4.13%	4.13%
University's proportionate share of the total other postemployment benefits liability	\$ 523,378,900	\$ 556,271,661	\$ 435,779,000	\$ 446,394,000
University's covered-employee payroll	\$ 576,330,586	\$ 566,991,383	\$ 539,620,556	\$ 512,542,210
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	90.81%	98.11%	80.76%	87.09%

2016

4.07%

\$ 480,770,000

\$ 490,228,479

98.07%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the FRS net pension liability	0.817057250%	0.844746094%	0.829635447%	0.775094790%
University's proportionate share of the FRS net pension liability	\$ 354,124,653	\$ 290,918,794	\$ 249,890,497	\$ 229,267,838
University's covered payroll (2)	\$ 576,330,586	\$ 566,991,383	\$ 539,620,556	\$ 512,542,210
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	61.44%	51.31%	46.31%	44.73%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	78.85%	82.61%	84.26%	83.89%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required FRS contribution	\$ 30,391,134	\$ 27,147,192	\$ 26,352,406	\$ 23,643,944
FRS contributions in relation to the contractually required contribution	<u>(30,391,134)</u>	<u>(27,147,192)</u>	<u>(26,352,406)</u>	<u>(23,643,944)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 575,529,744	\$ 576,330,586	\$ 566,991,383	\$ 539,620,556
FRS contributions as a percentage of covered payroll	5.28%	4.71%	4.65%	4.38%

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

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

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.763712910%	0.764319997%	0.718476151%	0.558052129%
\$ 192,838,109	\$ 98,722,179	\$ 43,837,611	\$ 96,065,609
\$ 490,228,479	\$ 466,345,909	\$ 443,554,247	\$ 431,524,683
39.34%	21.17%	9.88%	22.26%
84.88%	92.00%	96.09%	88.54%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 20,316,942	\$ 18,547,490	\$ 18,634,771	\$ 15,737,677
<u>(20,316,942)</u>	<u>(18,547,490)</u>	<u>(18,634,771)</u>	<u>(15,737,677)</u>
\$ -	\$ -	\$ -	\$ -
\$ 512,542,210	\$ 490,228,479	\$ 466,345,909	\$ 443,554,247
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**

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
University's proportion of the HIS net pension liability	0.741270524%	0.759945329%	0.744056081%	0.734647326%
University's proportionate share of the HIS net pension liability	\$ 90,507,924	\$ 85,030,277	\$ 78,751,731	\$ 78,551,882
University's covered payroll (2)	\$ 252,048,838	\$ 250,178,460	\$ 238,582,447	\$ 229,109,865
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.91%	33.99%	33.01%	34.29%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.00%	2.63%	2.15%	1.64%

(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

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required HIS contribution	\$ 4,173,795	\$ 4,271,595	\$ 4,160,779	\$ 4,035,035
HIS contributions in relation to the contractually required HIS contribution	<u>(4,173,795)</u>	<u>(4,271,595)</u>	<u>(4,160,779)</u>	<u>(4,035,035)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 251,433,462	\$ 252,048,838	\$ 250,178,460	\$ 238,582,447
HIS contributions as a percentage of covered payroll	1.66%	1.69%	1.66%	1.69%

(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.

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.726023325%	0.706815530%	0.668866670%	0.662647783%
\$ 84,615,011	\$ 72,084,066	\$ 62,540,666	\$ 57,692,202
\$ 220,376,032	\$ 208,898,281	\$ 194,843,828	\$ 189,351,023
38.40%	34.51%	32.10%	30.47%
0.97%	0.50%	0.99%	1.78%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 3,803,232	\$ 3,647,462	\$ 2,701,889	\$ 2,291,312
<u>(3,803,232)</u>	<u>(3,647,462)</u>	<u>(2,701,889)</u>	<u>(2,291,312)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 229,109,865	\$ 220,376,032	\$ 208,898,281	\$ 194,843,828
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 2.79 percent to 2.66 percent.

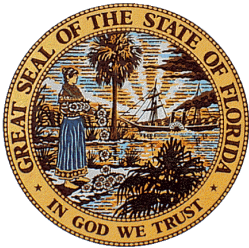
Other changes of assumptions since the prior valuation were the removal of the impact of the Excise Tax that was to go into effect in 2022 but was repealed, as well as updates to census data, claims costs and premium rates, medical trend rates, mortality rates, and medical plan election percentages. Refer to Note 10. 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. The long-term expected rate of return was decreased from 6.90 percent to 6.80 percent, and the assumed inflation decreased from 2.60 percent to 2.40 percent.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.50 percent to 2.21 percent, the assumed inflation decreased from 2.60 percent to 2.40 percent, and the active member mortality assumption was updated.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2021, 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, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the aggregate discretely presented component unit auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material

misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
December 15, 2021