STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2024-166
March 2024

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2023

Sherrill F. Norman, CPA
Auditor General

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

The team leader was Saleemah R. Reshamwala and the audit was supervised by Anna A. McCormick, CPA.

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

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UNIVERSITY OF SOUTH FLORIDA

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SUMMARY

Summary of Report on the Audit of the Financial Statements

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

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted a significant deficiency as summarized below.

Significant Deficiency

Finding No. 2023-001: University controls could be enhanced to ensure that procurement card purchases are only for allowable University purposes.

Audit Objectives and Scope

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

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

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

AUDIT METHODOLOGY

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

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of University of South Florida and of its aggregate discretely presented component units as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the University of South Florida (USF) Health Sciences Center Self-Insurance Program, a blended component unit, represent 3 percent, 1.7 percent, 5.3 percent, and 0.4 percent, respectively, of the assets, liabilities, net position, and revenues reported for the University of South Florida. The financial statements of the aggregate discretely presented component units represent 100 percent of the transactions and account balances of the discretely presented component units columns as of June 30, 2023. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and aggregate discretely presented component units, are based solely on the reports of the other auditors.

Basis for Opinions

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

Emphasis of Matters

As discussed in Note 2. to the financial statements, the University adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is a change in accounting principle that addresses accounting and financial reporting for subscription-based information technology arrangements. Also, Note 2. discloses that the University corrected the blending of the USF Health Sciences Center Self-Insurance Program to net reinsurance recoverable with the claims liability in accordance with Governmental Accounting Standards Board Statement No. 30, *Risk Financing Omnibus*. In addition, as discussed in Note 3. to the financial statements, the University adjusted beginning net position to correct certain previously reported capital asset errors.

These matters affect the comparability of amounts reported for the 2022-23 fiscal year with amounts reported for the 2021-22 fiscal year. Our opinion is not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2024, 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 University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of South Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 21, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

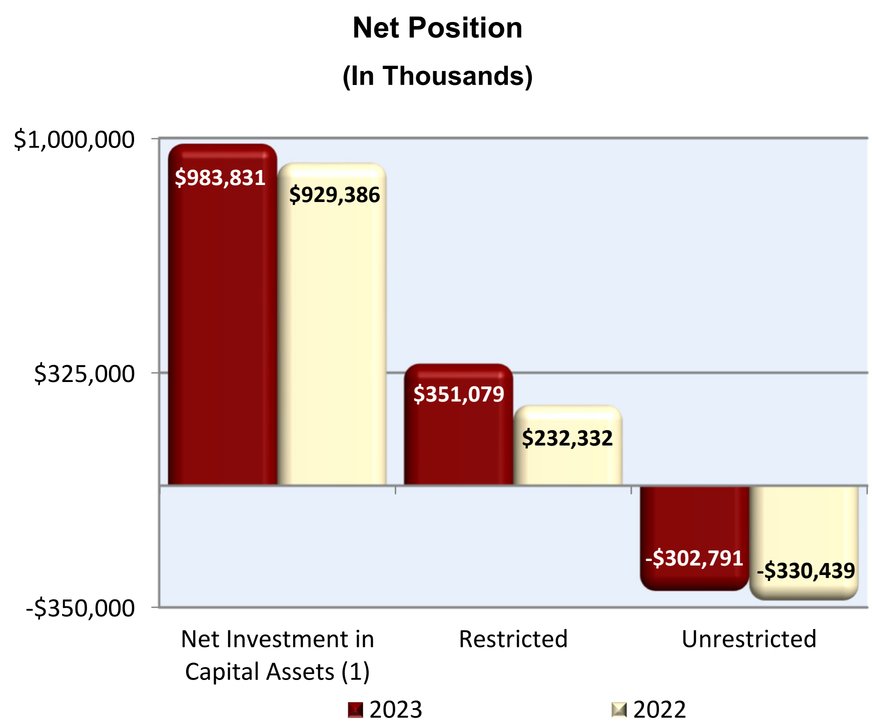
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2023, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2023, and June 30, 2022.

FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled $2.9 billion at June 30, 2023. This balance reflects a $226.8 million, or 8.6 percent, increase as compared to the 2021-22 fiscal year. Significant components of this increase were increases in investments, capital appropriations due from the State, capital assets, other noncurrent assets, and deferred outflows related to pension, partially offset by decreases in amounts due from component units, cash, and deferred outflows related to other postemployment benefits (OPEB). While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by $26 million, or 1.4 percent, totaling $1.8 billion at June 30, 2023. Significant components of this increase were increases in the net pension liability, unearned revenue, and deferred inflows related to OPEB, partially offset by decreases in OPEB payable, accounts payable, and deferred inflows related to pensions. As a result, the University's net position increased by $200.8 million, resulting in a year-end balance of $1 billion.

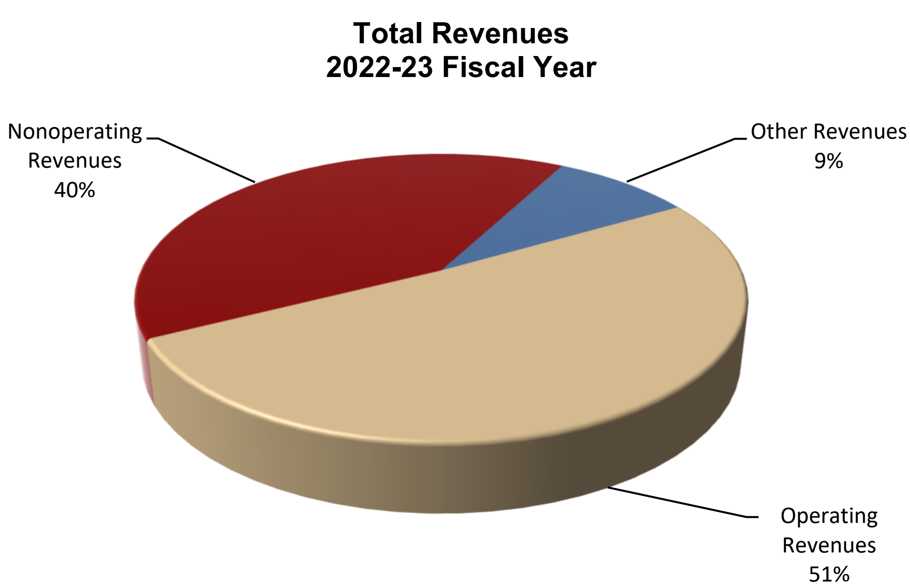
The University's operating revenues totaled $953.9 million for the 2022-23 fiscal year, representing a 6.7 percent increase compared to the 2021-22 fiscal year, largely due to an increase in Federal grants and contracts. Operating expenses totaled $1.64 billion for the 2022-23 fiscal year, representing an increase of 6.9 percent as compared to the 2021-22 fiscal year due mainly to increases in compensation and employee benefits and services and supplies, partially offset by a decrease 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, 2023, and June 30, 2022, is shown in the following graph:



(1) The 2022 net investment in capital assets was restated to reflect the adjustment to beginning net position as discussed in Note 3.

The following chart provides a graphical presentation of University revenues by category for the 2022-23 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 Services 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 component of the USF 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)

	2023	2022
Assets		
Current Assets (1)	$ 1,089,563	$ 943,242
Capital Assets, Net (2)	1,362,385	1,322,273
Other Noncurrent Assets	148,615	102,174
Total Assets	2,600,563	2,367,689
Deferred Outflows of Resources	270,838	276,917
Liabilities		
Current Liabilities	215,102	189,852
Noncurrent Liabilities (1)	1,149,196	1,055,952
Total Liabilities	1,364,298	1,245,804
Deferred Inflows of Resources	474,984	567,523
Net Position		
Net Investment in Capital Assets (2)	983,831	929,386
Restricted	351,079	232,332
Unrestricted	(302,791)	(330,439)
Total Net Position	$ 1,032,119	$ 831,279

(1) The 2021-22 fiscal year current assets and noncurrent liabilities were restated to reflect the netting of reinsurance recoverable with the claims liability for the blended USF Health Sciences Center Self-Insurance Program as discussed in Note 2.

(2) The 2021-22 fiscal year capital assets, net and net investment in capital assets were restated to reflect the adjustment to beginning net position as discussed in Note 3.

Current assets for the University increased $146.3 million between the two fiscal years due to a $93.8 million increase in amounts due from State and an $87.5 million increase in current investments, partially offset by a $15.3 million decrease in amounts due from component units and a $15.1 million decrease in current cash. Due from State increased as a result of new State capital appropriations for the 2022-23 fiscal year for student success/life enhancements, nursing expansion, an academic STEM facility, and deferred maintenance. Current investments increased due to cash generated by positive operating results, primarily from grants and contracts and State noncapital appropriations, as well as investment performance and returns. The decrease in amounts due from component units is attributable to a 2021-22 fiscal year accrual of $16.8 million due from University Medical Service Association, Inc. (UMSA) to fund an accrued payment to the Agency for Health Care Administration for Medicaid. The decrease in current cash is primarily the result of a new 2022-23 fiscal year process to move funds into a capital projects fund for departmental carryforward-funded construction projects.

Net capital assets increased $40.1 million due to an increase in construction in progress ($20.3 million), subscription-based information technology arrangements ($11.4 million), and the acquisition of the Health Partnership Complex (HPC) building ($10.6 million). The increase in construction in progress is largely from work completed on the Judy Genshaft Honors College and the Sarasota-Manatee Campus Student Center and Residence Hall. The increase in subscription-based information technology arrangements is due to the implementation of GASB Statement No. 96 as discussed in Note 2.

Other noncurrent assets increased $46.4 million due to increases in restricted investments ($32.1 million), fixed asset purchases not yet placed in service ($8.4 million), and prepayments for subscription-based information technology arrangements in the implementation stage ($4.5 million). The increase in restricted investments is attributable to the new 2022-23 fiscal year process to move funds into a capital projects fund for departmental carryforward-funded construction projects as well as unspent proceeds from the installment purchase obligations for the Siemens energy savings equipment projects.

Current liabilities increased $25.2 million due to a $43.3 million increase in unearned revenue, partially offset by an $11.2 million decrease in accounts payable. The increase in unearned revenue is largely attributable to funds received for cybersecurity and Florida Flood Hub grants. The decrease in accounts payable was primarily due to the 2021-22 fiscal year accrual of $16.8 million for Medicaid payments to the Agency for Health Care Administration.

Noncurrent liabilities increased $93.2 million due to a $231.7 million increase in the noncurrent portion of the net pension liability, partially offset by a $154.2 million decrease in the noncurrent portion of the OPEB liability. The increase in the net pension liability was primarily due to the Florida Retirement system (FRS) Pension Plan realizing an investment loss of 6.3 percent versus a return of 29.5 percent in the prior year. As a result, the funded status of the plan decreased from 96.4 percent to 82.9 percent. The decrease in the OPEB liability was largely attributable to an increase in the discount rate from 2.2 percent to 4.1 percent.

Deferred inflows of resources decreased $92.5 million due to a $202.1 million decrease in deferred inflows related to pensions, primarily as a result of the decreased performance of FRS pension plan investments. That decrease was partially offset by a $113.1 million increase in deferred inflows related to OPEB largely due to the increase in the discount rate.

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 2022-23 and 2021-22 fiscal years:

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

(In Thousands)

	2022-23	2021-22
Operating Revenues	$ 953,867	$ 894,157
Less, Operating Expenses (1)	1,639,359	1,533,588
Operating Loss	(685,492)	(639,431)
Net Nonoperating Revenues	720,392	621,450
Income (Loss) Before Other Revenues	34,900	(17,981)
Other Revenues	165,940	47,332
Net Increase In Net Position	200,840	29,351
Net Position, Beginning of Year	825,576	796,225
Adjustment to Beginning Net Position (1)	5,703	-
Net Position, Beginning of Year, as Restated	831,279	796,225
Net Position, End of Year	$ 1,032,119	$ 825,576

(1) The adjustment to beginning net position is an error correction related to depreciation expense which is discussed in Note 3.

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.

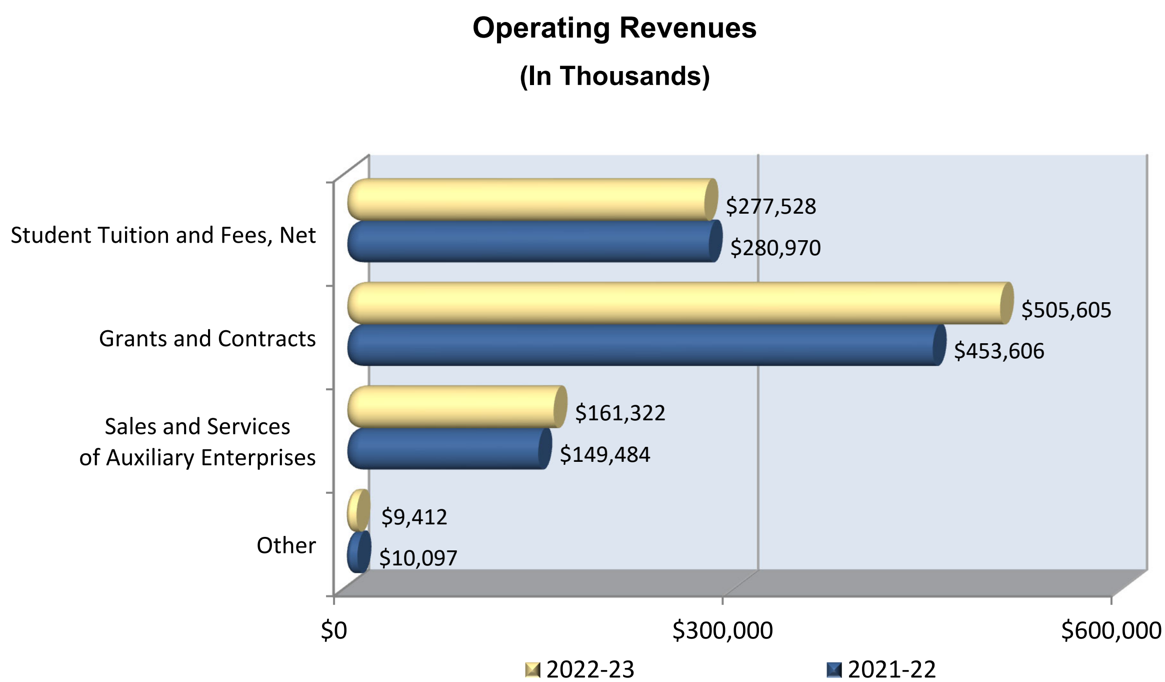
The following summarizes the operating revenues by source that were used to fund operating activities for the 2022-23 and 2021-22 fiscal years:

Operating Revenues
For the Fiscal Years

(In Thousands)

	2022-23	2021-22
Student Tuition and Fees, Net	$ 277,528	$ 280,970
Grants and Contracts	505,605	453,606
Sales and Services of Auxiliary Enterprises	161,322	149,484
Other	9,412	10,097
Total Operating Revenues	$ 953,867	$ 894,157

The following chart presents the University's operating revenues for the 2022-23 and 2021-22 fiscal years:



University operating revenues increased by $59.7 million, or 6.7 percent. This increase is primarily due to a $52 million increase in grants and contracts, $40.9 million of which is from Federal grants and contracts. The increase in Federal grants and contracts is primarily attributable to increases in Federal funds flowing across many sponsors, including the Florida Department of Education ($14.3 million), National Institutes of Health ($7.4 million), Centers for Medicare and Medicaid Services ($5 million), National Institute of Diabetes and Digestive and Kidney Diseases ($2.3 million), Office of Naval Research ($1.8 million), National Science Foundation ($1.5 million), Florida Department of Transportation ($1.5 million), and the United States Department of Education ($1.5 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 2022-23 and 2021-22 fiscal years:

Operating Expenses
For the Fiscal Years

(In Thousands)

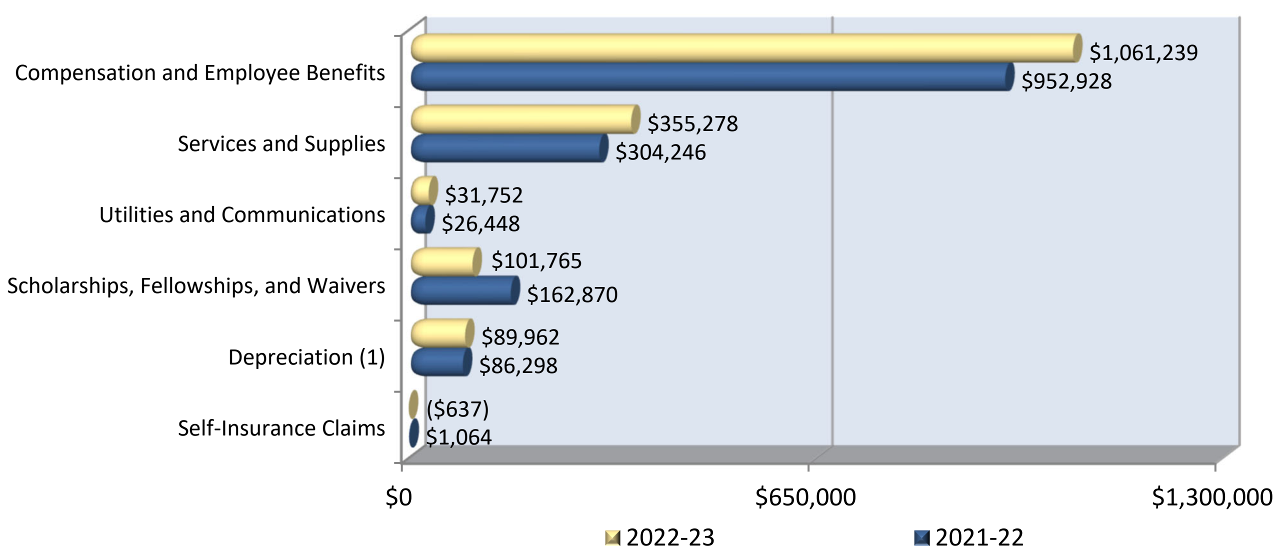
	2022-23	2021-22
Compensation and Employee Benefits	$ 1,061,239	$ 952,928
Services and Supplies	355,278	304,246
Utilities and Communications	31,752	26,448
Scholarships, Fellowships, and Waivers	101,765	162,870
Depreciation (1)	89,962	86,298
Self-Insurance Claims	(637)	1,064
Total Operating Expenses	$ 1,639,359	$ 1,533,854

(1) The 2021-22 fiscal year depreciation expense is restated to reflect a $266,292 increase as if the error correction discussed in Note 3. were applied to the comparative 2021-22 fiscal year.

The following chart presents the University's operating expenses for the 2022-23 and 2021-22 fiscal years:

Operating Expenses

(In Thousands)



(1) The 2021-22 fiscal year depreciation expense is restated to reflect a $266,292 increase as if the error correction discussed in Note 3. were applied to the comparative 2021-22 fiscal year.

Total operating expenses increased by $105.5 million, or 6.9 percent, resulting primarily from increases in compensation and employee benefits ($108.3 million) and services and supplies ($51 million), partially offset by a $61.1 million decrease in scholarships, fellowships, and waivers. The increase in compensation and employee benefits was mainly attributable to a $70.5 million increase in wages. Additionally, the expense component of GASB Statement No. 68, *Pensions*, accounting increased $38.7 million, primarily resulting from the decreased performance of the FRS pension plan investments. The increase in services and supplies was primarily due to increases in grants subcontracts

($14.8 million), travel ($8.7 million), consulting services ($6.2 million), computer equipment ($4.9 million), dining services ($3.4 million), study abroad ($3.1 million), legal services ($2.8 million), architectural services ($2.6 million), and bad debt expense ($2.4 million). The decrease in scholarships, fellowships, and waivers was primarily due to a decrease in Federal Higher Education Emergency Relief Funds (HEERF) aid.

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 2022-23 and 2021-22 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2022-23	**2021-22**
State Noncapital Appropriations	$527,578	$ 437,920
Federal and State Student Financial Aid	153,985	207,653
Noncapital Grants and Donations	37,929	86,694
Investment Income (Loss)	31,258	(46,997)
Other Nonoperating Revenues	3,668	4,780
Loss on Disposal of Capital Assets	(1,393)	(401)
Interest on Capital Asset-Related Debt	(12,096)	(11,962)
Other Nonoperating Expenses	(20,537)	(56,237)
Net Nonoperating Revenues	$720,392	$ 621,450

Total net nonoperating revenues increased by $98.9 million, or 15.9 percent. The major components of this increase were increases in State noncapital appropriations ($89.7 million) and investment income ($78.3 million) combined with a decrease in other nonoperating expenses ($35.7 million), partially offset by decreases in Federal and State student financial aid ($53.7 million) and noncapital grants and donations ($48.8 million). The increase in State noncapital appropriations is due to a $52.5 million increase in general revenue appropriations, $20.5 million of new appropriations for cybersecurity, and a $16.7 million increase in lottery appropriations. The increase in investment income was due to improved unrealized investment performance of bond mutual funds ($34.3 million), equity mutual funds ($29.4 million), and USF Health Sciences Center Self-Insurance Program investments ($10.3 million) as well as increases in realized returns from money market ($5.2 million) and bond ($3.3 million) mutual funds. The decrease in other nonoperating expenses was primarily due to a decrease in payments to the Agency for Health Care Administration for Medicaid ($16.4 million) and a decrease in transfers to the UMSA, mainly attributable to the 2021-22 fiscal year transfer of $14.7 million in HEERF institutional funds for revenue losses related to COVID-19. The decreases in Federal and State student financial aid and noncapital grants and donations were due to decreases in Federal HEERF student aid and HEERF institutional aid, respectively.

Other Revenues

This category is mainly composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2022-23 and 2021-22 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2022-23	**2021-22**
State Capital Appropriations	$ 115,107	$ 14,751
Capital Grants, Contracts, Donations, and Fees	50,833	32,581
Total	$ 165,940	$ 47,332

Total other revenues increased by $118.6 million, or 250.6 percent. State capital appropriations increased $100.4 million due to 2022-23 fiscal year appropriations for student success/life enhancements, nursing expansion, an academic STEM facility, and deferred maintenance. Capital grants, contracts, donations and fees increased $18.3 million primarily due to the acquisition of the HPC building and UMSA contributions to satisfy the Morsani College of Medicine loan due to the USF Foundation, Inc.

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 2022-23 and 2021-22 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2022-23	2021-22
Cash Provided (Used) by:		
Operating Activities	$ (537,754)	$ (580,230)
Noncapital Financing Activities	690,480	720,030
Capital and Related Financing Activities	(78,326)	(34,735)
Investing Activities	(88,466)	(81,198)
Net Increase (Decrease) in Cash and Cash Equivalents	(14,066)	23,867
Cash and Cash Equivalents, Beginning of Year	94,230	70,363
Cash and Cash Equivalents, End of Year	$ 80,164	$ 94,230

Major sources of funds came from State noncapital appropriations ($527.6 million), Federal Direct Student Loan receipts ($188.3 million), student tuition and fees ($275.3 million), grants and contracts ($571.8 million), sales and services of auxiliary enterprises ($165.3 million), and Federal and State student financial aid ($154 million). Major uses of funds were for payments made to and on behalf of employees totaling $1.1 billion, payments to suppliers totaling $385.9 million, disbursements to students for Federal Direct Student Loans totaling $188.3 million, payments to and on behalf of students for scholarships totaling $101.8 million, purchase or construction of capital assets totaling $113.4 million, and purchases of investments totaling $116 million.

Net cash used by operating activities decreased by $42.5 million. Significant changes in major sources and uses of cash within operating activities were a $136 million increase in cash provided by grants and contracts, a $17.1 million increase in cash provided by sales and services of auxiliary enterprises, a $61.1 million decrease in payments to students for scholarships and fellowships, a $104.3 million increase in payments to employees, and a $57.4 million increase in payments to suppliers for goods and services. The increase in cash provided by grants and contracts was attributable to Federal, State and local, and nongovernmental grants and contracts. The increase in cash provided by sales and services of auxiliary enterprises was attributable to housing, dining, athletics, Education Abroad, Innovative Education, and parking. A decrease in Federal HEERF aid was primarily responsible for the decrease in payments to students for scholarships and fellowships. The increase in payments to employees was driven by increases in administrative, faculty, and temporary wages and associated benefits. The major factors in the increase in payments to suppliers were increases in grants subcontracts, travel, consulting services, computer equipment, dining services, study abroad, legal services, and architectural services.

Net cash provided by noncapital financing activities decreased by $29.6 million. Significant contributors to this decrease were a $53.7 million decrease in cash provided by Federal and State student financial aid and a $65.9 million decrease in cash provided by noncapital grants, contracts and donations, partially offset by an $89.7 million increase in cash provided by State noncapital appropriations. A decrease in Federal HEERF aid was responsible for both the decrease in cash provided by Federal and State student financial aid and the decrease in cash provided by noncapital grants, contracts and donations. Increases in general revenue and lottery appropriations as well as new appropriations for cybersecurity were responsible for the increase in cash provided by State noncapital appropriations.

Net cash used by capital and related financing activities increased by $43.6 million. This increase was primarily due to a $44.7 million increase in cash used for the purchase or construction of capital assets. The increase in cash used for the purchase or construction of capital assets is largely attributable to work completed on the Judy Genshaft Honors College, the Sarasota-Manatee Campus Student Center and Residence Hall, the USF Wellness Center Complex, student housing HVAC upgrades, and the USF Indoor Performance Facility as well as an increase in fixed asset purchases not yet placed in service.

Net cash used by investing activities increased by $7.3 million largely due to a $27 million increase in purchases of investments, partially offset by a $14.5 million increase in cash provided by investment income. The increase in purchases of investments was due to increased money market fund purchases enabled by cash generated by positive operating results, primarily from grants and contracts and State noncapital appropriations. The increase in cash provided by investment income was due to increases in money market and bond mutual fund returns as well as USF Health Sciences Center Self-Insurance Program investment performance.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the University had $2.5 billion in capital assets, less accumulated depreciation of $1.1 billion, for net capital assets of $1.4 billion. Depreciation charges for the current fiscal year totaled $90 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)

	2023	2022
Land	$ 21,931	$ 21,931
Construction in Progress	102,368	82,006
Buildings (1)	1,075,534	1,055,796
Infrastructure and Other Improvements	35,115	38,669
Furniture and Equipment	70,334	74,570
Library Resources	17,930	17,155
Subscription-Based Information Technology Arrangements	11,396	-
Works of Art and Historical Treasures	1,190	1,200
Other Capital Assets	1,734	1,809
Right-to-Use Leased Assets	24,853	29,137
Capital Assets, Net	$ 1,362,385	$ 1,322,273

(1) The 2021-22 fiscal year balance of buildings was restated to reflect the adjustment to beginning net position as discussed in Note 3.

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, 2023, are as follows:

	Amount (In Thousands)
Total Committed	$ 467,154
Completed to Date	(102,368)
Balance Committed	$ 364,786

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

Debt Administration

As of June 30, 2023, the University had $285 million in outstanding capital improvement debt payable, installment purchases payable, right-to-use leases payable, and subscription arrangements liability, representing an increase of $17 million, or 6.3 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)

	2023	2022
Capital Improvement Debt	$ 4,210	$ 6,979
Installment Purchases	246,495	231,872
Right-to-Use Leases	25,350	29,141
Subscription Arrangements	8,896	-
Total	$ 284,951	$ 267,992

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 2023-24 fiscal year provided a 20 percent increase for State universities. The budget incorporated an increase of $60,933,264 in recurring Education and General funding for the University of South Florida. In addition to State funding, the University receives significant operating revenues from other sources, including tuition and fees, auxiliary operations and grants and contracts. These operating revenues mitigate State economic dependency through diversification.

REQUESTS FOR INFORMATION

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

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

June 30, 2023

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 77,605,293	$ 35,091,713
Investments	785,031,523	142,702,465
Accounts Receivable, Net	87,808,206	92,634,860
Loans, Leases, and Notes Receivable, Net	522,739	6,482,790
Leases Receivable from University	-	3,242,683
Leases Receivable from Component Units	-	63,460
Due from State	122,802,868	-
Due from University	-	1,981,519
Due from Component Units	15,463,122	352,587
Inventories	251,138	1,130,339
Other Current Assets	78,673	20,197,054
Total Current Assets	1,089,563,562	303,879,470
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,558,945	9,355,073
Restricted Investments	122,235,504	767,172,918
Loans, Leases, and Notes Receivable, Net	7,499,857	46,181,628
Leases Receivable from University	-	19,857,245
Leases Receivable from Component Units	-	249,110
Depreciable Capital Assets, Net	1,199,712,996	128,975,526
Nondepreciable Capital Assets	126,422,642	29,319,214
Right-to-Use Leases and SBITA, Net	36,249,091	23,206,308
Other Noncurrent Assets	16,320,273	308,847,423
Total Noncurrent Assets	1,510,999,308	1,333,164,445
Total Assets	2,600,562,870	1,637,043,915
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	136,030,840	-
Pensions	134,807,025	-
Interest Rate Swap Agreement	-	3,522,963
Deferred Amount on Debt Refunding	-	770,879
Total Deferred Outflows of Resources	270,837,865	4,293,842
LIABILITIES		
Current Liabilities:		
Accounts Payable	28,648,311	23,685,098
Construction Contracts Payable	7,757,267	-
Salary and Wages Payable	38,645,828	5,196,424
Deposits Payable	6,369,430	103,325
Due to University	-	15,463,122
Due to Component Units	1,981,519	352,587
Unearned Revenue	83,602,787	4,160,139
Other Current Liabilities	203,459	16,994,461
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	6,503,059
Certificates of Participation Payable	-	10,125,000
Capital Improvement Debt Payable	1,938,479	-
Loans and Notes Payable	-	685,208
Installment Purchases Payable	12,589,471	5,280,317
Right-to-Use Leases Payable	565,742	2,054,234
Right-to-Use Leases Payable to Component Units	3,242,683	63,460
Subscription Arrangements Liability	5,122,362	1,655,746
Estimated Insurance Claims Payable	1,042,833	-
Compensated Absences Payable	13,383,569	-
Dining Facility Fee Payable	27,922	-
Other Postemployment Benefits Payable	9,905,225	-
Net Pension Liability	74,818	-
Total Current Liabilities	215,101,705	92,322,180

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	93,066,461
Certificates of Participation Payable	-	237,492,077
Capital Improvement Debt Payable	2,271,958	-
Loans and Notes Payable	-	5,100,882
Installment Purchases Payable	233,905,725	72,968,159
Right-to-Use Leases Payable	1,684,100	11,369,816
Right-to-Use Leases Payable to Component Units	19,857,245	249,110
Subscription Arrangements Liability	3,773,936	7,887,008
Estimated Insurance Claims Payable	21,904,108	-
Compensated Absences Payable	96,369,956	-
Federal Advance Payable	686,137	-
Other Noncurent Liabilities	-	9,545,367
Dining Fee Facility Payable	4,580,611	-
Other Postemployment Benefits Payable	383,939,187	-
Net Pension Liability	380,222,869	-
Total Noncurrent Liabilities	1,149,195,832	437,678,880
Total Liabilities	1,364,297,537	530,001,060
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	321,035,280	-
Pensions	24,357,444	-
Deferred Service Concession Arrangement Receipts	106,246,554	-
Leases	23,344,911	74,350,728
Irrevocable Split-Interest Agreements	-	23,715,231
Other	-	382,718
Total Deferred Inflows of Resources	474,984,189	98,448,677
NET POSITION		
Net Investment in Capital Assets	983,831,010	64,823,634
Restricted for Nonexpendable:		
Endowment	-	403,287,136
Restricted for Expendable:		
Debt Service	1,640,059	2,513,917
Loans	4,779,581	-
Capital Projects	140,165,674	-
Other	204,493,356	127,366,363
Endowment	-	252,655,315
Unrestricted	(302,790,671)	162,241,655
TOTAL NET POSITION	$ 1,032,119,009	$ 1,012,888,020

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, 2023

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $167,369,387 ($3,247,546 Pledged for the Parking System Revenue Bonds)	$ 277,527,659	$ -
Federal Grants and Contracts	251,358,856	12,517,991
State and Local Grants and Contracts	39,166,965	1,009,381
Nongovernmental Grants and Contracts	215,079,666	113,292,932
Sales and Services of Auxiliary Enterprises ($9,723,530 Pledged for Parking System Revenue Bonds)	161,321,585	-
Sales and Services of Component Units	-	278,012,471
Royalties and Licensing Fees	-	2,984,678
Gifts and Donations	-	39,907,877
Interest on Loans and Notes Receivable	106,061	-
Other Operating Revenues	9,306,200	26,332,885
Total Operating Revenues	953,866,992	474,058,215
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	1,061,239,330	345,040,328
Services and Supplies	355,278,576	154,706,899
Utilities and Communications	31,751,863	3,200,741
Scholarships, Fellowships, and Waivers	101,764,929	13,271,653
Depreciation	89,961,865	13,492,057
Self-Insurance Claims	(637,104)	-
Total Operating Expenses	1,639,359,459	529,711,678
Operating Loss	(685,492,467)	(55,653,463)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	527,577,615	-
Federal and State Student Financial Aid	153,985,478	-
Noncapital Grants and Donations	37,929,570	-
Investment Income	31,258,234	62,520,317
Other Nonoperating Revenues	3,668,072	18,573,059
Gain (Loss) on Disposal of Capital Assets	(1,392,971)	648,969
Interest on Capital Asset-Related Debt	(12,096,237)	(15,913,811)
Other Nonoperating Expenses	(20,537,446)	(10,710,667)
Net Nonoperating Revenues	720,392,315	55,117,867
Income (Loss) Before Other Revenues	34,899,848	(535,596)
Additions to Permanent Endowments	-	13,948,189
State Capital Appropriations	115,106,558	-
Capital Grants, Contracts, Donations, and Fees	50,833,317	-
Increase in Net Position	200,839,723	13,412,593
Net Position, Beginning of Year	825,576,178	996,119,807
Adjustment to Beginning Net Position	5,703,108	3,355,620
Net Position, Beginning of Year, as Restated	831,279,286	999,475,427
Net Position, End of Year	$ 1,032,119,009	$ 1,012,888,020

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, 2023

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 275,270,638
Grants and Contracts	571,827,386
Sales and Services of Auxiliary Enterprises	165,290,733
Interest on Loans Receivable	107,434
Payments to Employees	(1,068,878,455)
Payments to Suppliers for Goods and Services	(385,937,339)
Payments to Students for Scholarships and Fellowships	(101,764,929)
Payments on Self-Insurance Claims and Expenses	(1,097,924)
Loans Issued to Students	(324,109)
Collection on Loans to Students	783,036
Other Operating Receipts	6,969,140
Net Cash Used by Operating Activities	(537,754,389)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	527,577,615
Federal and State Student Financial Aid	153,985,478
Noncapital Grants, Contracts, and Donations	36,093,156
Federal Direct Loan Program Receipts	188,299,549
Federal Direct Loan Program Disbursements	(188,299,549)
Operating Subsidies and Transfers	2,858,900
Net Change in Funds Held for Others	653,295
Other Nonoperating Receipts	170,347
Other Nonoperating Disbursements	(30,858,963)
Net Cash Provided by Noncapital Financing Activities	690,479,828
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt and Leases	18,848,672
State Capital Appropriations	21,287,063
Capital Grants, Contracts, Donations and Fees	32,534,250
Purchase or Construction of Capital Assets	(113,370,644)
Principal Paid on Capital Debt and Leases	(25,783,057)
Interest Paid on Capital Debt and Leases	(11,972,160)
Principal Received on Capital Debt and Leases	11,985
Interest Received on Capital Debt and Leases	118,015
Net Cash Used by Capital and Related Financing Activities	(78,325,876)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	5,216,403
Purchases of Investments	(116,018,141)
Investment Income	22,336,014
Net Cash Used by Investing Activities	(88,465,724)
Net Decrease in Cash and Cash Equivalents	(14,066,161)
Cash and Cash Equivalents, Beginning of Year	94,230,399
Cash and Cash Equivalents, End of Year	$ 80,164,238

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (685,492,467)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	89,961,865
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	22,593,089
Loans and Notes Receivable, Net	458,927
Inventories	(10,012)
Other Assets	(5,268,262)
Accounts Payable	5,566,096
Salaries and Wages Payable	(8,195,539)
Deposits Payable	2,777
Compensated Absences Payable	6,167,132
Unearned Revenue	43,772,748
Estimated Insurance Claims Payable	(1,735,028)
Other Postemployment Benefits Payable	(153,921,645)
Net Pension Liability	231,315,874
Deferred Outflows of Resources Related to Other Postemployment Benefits	32,578,101
Deferred Inflows of Resources Related to Other Postemployment Benefits	113,096,105
Deferred Outflows of Resources Related to Pensions	(26,499,240)
Deferred Inflows of Resources Related to Pensions	(202,144,910)
NET CASH USED BY OPERATING ACTIVITIES	$ (537,754,389)
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.	$ 8,922,220
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.	$ (1,529,170)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 17,113,196

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 (USF) Health Sciences Center Self-Insurance Program is included within the University's reporting entity as a blended component unit. The USF 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.

<u>Health Services Support Organization</u>.

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.

<u>Basis of Presentation</u>. 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

<u>Measurement Focus and Basis of Accounting</u>. 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 (HSCIC) component of the USF Health Sciences Center Self-Insurance Program follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

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

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

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

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

- Buildings – 10 to 40 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Other Capital Assets – 3 to 20 years
- Works of Art and Historical Treasures – 5 years
- Right-to-Use Leased Equipment – 3 to 20 years or the term of the lease, whichever is shorter
- Right-to-Use Leased Space – 10 to 40 years or the term of the lease, whichever is shorter
- Subscription-Based Information Technology Arrangements – 3 to 9 years or the term of the subscription, whichever is shorter

Leases and Subscription-Based Information Technology Arrangements (SBITA). The University determines if an arrangement is a lease or SBITA at inception. Lessee and SBITA arrangements are included in lease or SBITA assets and lease or SBITA liabilities in the statement of net position. Lease/SBITA assets represent the University's control of the right to use an underlying asset for the lease/subscription term, as specified in the contract, in an exchange or exchange-like transaction. Lease/SBITA assets are recognized at the commencement date based on the initial measurement of the lease/subscription liability, plus any payments made to the lessor/SBITA vendor at or before the commencement of the lease term and certain direct/implementation costs. Lease/SBITA assets are amortized in a systematic and rational manner over the shorter of the lease/subscription term or the useful life of the underlying asset. Lease/SBITA liabilities represent the University's obligation to make lease/subscription payments arising from the lessee/subscription arrangement. Lease/SBITA liabilities are recognized at the commencement date based on the present value of expected lease/subscription payments over the lease term, less any lease/subscription incentives. Interest expense is recognized ratably over the contract term. The lease/subscription term may include options to extend or terminate the lease/subscription when it is reasonably certain that the University will exercise that option. Payments for short-term leases/subscriptions with a lease/subscription term of 12 months or less are recognized as expenses as incurred. The University has a materiality threshold of $5,000 of payments in a year of equipment leases, $75,000 of payments in a year for space leases, and $1,000,000 of total contract subscription payments for SBITA. Short-term leases/subscriptions and leases/subscriptions under the materiality threshold are not included as lease/subscription liabilities or right-to-use lease/subscription assets on the statement of net position.

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

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

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

2. Reporting Changes

Governmental Accounting Standards Board Statement No. 96. The University implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which establishes standards of accounting and financial reporting for SBITAs. GASB Statement No. 96 defines a SBITA as a contract that conveys the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under GASB Statement No. 96, SBITAs other than short-term SBITAs, defined as having a maximum possible term of 12 months or less, are required to be recognized on the statement of net position. A government should recognize a subscription liability and an intangible right-to-use subscription asset.

At implementation on July 1, 2022, the University recognized a subscription liability and corresponding subscription asset of $9,132,947.

Additional information regarding SBITAs is presented in subsequent notes.

Blended Component Unit – Error Correction. The University corrected the blending of the USF Health Sciences Center Self-Insurance Program to net reinsurance recoverable with the claims liability in accordance with GASB Statement No. 30, *Risk Financing Omnibus*. The correction was a reclassification with no effect on net position. Accounts receivable and estimated insurance claims payable were overstated by $7,563,918 and $7,287,020 in the 2020-21 fiscal year and 2021-22 fiscal year statements of net position, respectively. Also related to this correction, self-insurance claims expense was understated, and services and supplies expense was overstated by $276,898 in the 2021-22 fiscal year statement of revenues, expenses, and changes in net position.

3. Adjustments to Beginning Net Position

The beginning net position of the University was increased by $5,703,108 due to an error correction. During the 2022-23 fiscal year, it was discovered that costs for existing student housing buildings were errantly removed from the asset accounting records because it was erroneously associated with student housing buildings that were retired in the 2016-17 fiscal year. The adjustment to beginning net position consists of $10,651,719 added to the beginning balance of buildings and $4,948,611 added to the beginning balance of the related accumulated depreciation to restore the existing student housing buildings that were retired in error.

The beginning net position of the discretely presented component units was increased by $3,355,620 due to an error correction by UMSA related to the accounting for a contract with the University.

4. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (432,006,265)
Auxiliary Funds	129,215,594
Total	$ (302,790,671)

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

Description		University
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources		$ 545,906,287
Amount Expected to be Financed in Future Years:		
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(578,848,852)	
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	(269,848,106)	
Total Amount Expected to be Financed in Future Years		(848,696,958)
Total Unrestricted Net Position		$ (302,790,671)

5. 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, 2023, 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, 2023, are reported as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
SBA Debt Service Accounts	$ 14,818	$ 14,818	$ -	$ -
United States Treasury Securities	26,569,817	-	26,569,817	-
Bonds and Notes	22,966,229	-	22,966,229	-
Stocks and Other Equity Securities	21,576,138	21,576,138	-	-
Mutual Funds				
Equities	106,145,383	106,145,383	-	-
Bonds	503,093,469	503,093,469	-	-
Money Market	226,901,173	226,901,173	-	-
Total investments by fair value level	907,267,027	$ 857,730,981	$ 49,536,046	$ -
Total investments	$ 907,267,027			

State Board of Administration Debt Service Accounts.

The University reported investments totaling $14,818 at June 30, 2023, 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, 2023, 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
Bonds and Notes	$ -	$ -	$ 565,935	$ -	$ -	$ -	$ 565,935
Stocks and Other							
Equity Securities	-	-	2,301,380	-	-	153,174	2,454,554
Partnership Investments	123,881,923	1,846,507	8,601,173	-	-	-	134,329,603
Mutual Funds:							
Equities	407,474,822	5,978,073	21,504,040	-	15,450,645	-	450,407,580
Bonds	192,519,297	2,190,473	6,742,004	-	10,603,528	-	212,055,302
Money Market	21,441,984	180,313	2,874,262	63,381,462	-	-	87,878,021
Beneficial Interest Assets	22,184,388	-	-	-	-	-	22,184,388
Total Component Units' Investments	$ 767,502,414	$ 10,195,366	$ 42,588,794	$ 63,381,462	$ 26,054,173	$ 153,174	$ 909,875,383

The component units' recurring fair value measurement as of June 30, 2023, are valued using the following valuation techniques and inputs:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Bonds and Notes	$ 565,935	$ -	$ 565,935	$ -
Stocks and Other Equity Securities	2,301,380	2,301,380	-	-
Partnership Investments	579,002	-	-	579,002
Mutual Funds				
Equities	144,319,703	144,319,703	-	-
Bonds	64,504,579	64,504,579	-	-
Money Market	87,878,021	87,878,021	-	-
Beneficial Interest Assets	22,184,388	-	-	22,184,388
Total investments by fair value level	322,333,008	$ 299,003,683	$ 565,935	$ 22,763,390
Investments measured at the net asset value (NAV)				
Partnership Investments				
Private Equity	57,627,360			
Fixed Income	33,301,800			
Real Asset	42,821,441			
Mutual Funds				
Equities	306,087,877			
Bonds	147,550,723			
Total investments measured at the NAV	587,389,201			
Total investments measured at fair value	909,722,209			
Other				
Equity Method Investment	153,174			
Total Other Investments	153,174			
Total Component Unit Investments	$ 909,875,383			

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	$ 57,627,360	$ 26,910,205	NA	NA
Fixed Income	33,301,800	13,147,516	Monthly	3-5 days
Real Asset	42,821,441	34,543,976	NA	NA
Mutual Funds:				
Equities	306,087,877	-	Daily/Monthly	2-30 days
Bonds	147,550,723	-	Weekly	0-7 days
Total investments measured at the NAV	$ 587,389,201	$ 74,601,697		

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 5 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, 2023:

University Debt Investment Maturity and Quality Ratings

Investment Type	Weighted Average Maturities	Credit Quality Rating: Moody's	Credit Quality Rating: Standard and Poor's	Fair Value
United States Treasury Securities (2)	4.25 Years	(1)	(1)	$ 26,569,817
Bonds and Notes (2)	3.63 Years	Aaa - A3	AAA - A-	22,781,229
Bonds and Notes (2)	1 Day	Not Rated	Not Rated	185,000
Bond Mutual Funds (3)	2.96 Years	Not Rated	Not Rated	503,093,469
Money Market Mutual Funds (2)	7 Days	Aaa-mf	AAAm	1,574,140
Money Market Mutual Funds (3)	14 Days	Aaa-mf	AAAm	225,327,033
Total				$ 779,530,688

(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	Fair Value	Investment Maturites (In Years): Less Than 1	1-5	6-10	More Than 10
Bonds and Notes	$ 565,935	$ -	$ 203,566	$ 57,102	$ 305,267
Partnership Fixed Income	33,301,800	33,301,800	-	-	-
Mutual Funds:					
Bonds	212,055,302	73,516,348	138,503,131	35,823	-
Money Market	87,878,021	87,878,021	-	-	-
Total	$333,801,058	$194,696,169	$138,706,697	$ 92,925	$ 305,267

Discretely Presented Component Units Quality Ratings (1)

Investment Type	Fair Value	AAA	AA	A	Less Than A or Not Rated
Bonds and Notes	$ 565,935	$ 212,568	$ 6,059	$ 79,634	$ 267,674
Partnership Fixed Income	33,301,800	-	-	-	33,301,800
Mutual Funds:					
Bonds	212,055,302	10,877,977	16,869,059	7,925,113	176,383,153
Money Market	87,878,021	63,381,462	-	-	24,496,559
Total	$ 333,801,058	$ 74,472,007	$ 16,875,118	$ 8,004,747	$ 234,449,186

(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, 2023.

6. 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, 2023, the University reported the following amounts as accounts receivable:

Description	Amount
Contracts and Grants	$ 64,388,401
Student Tuition and Fees	13,321,563
Other	10,098,242
Total Accounts Receivable	$ 87,808,206

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.

Leases Receivable. Leases receivable represent contracted arrangements for the use of the University's assets. The University leases office space and land to external parties. The leases expire in 2045 and 2069, respectively. The terms of the lease arrangements are determined by evaluating the non-cancelable term length, the optional term length, and assessing the likelihood with reasonable certainty the option to extend the term or terminate the agreement may occur. The term lengths are from 25 to 50 years. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. Variable payments are excluded from the valuations unless they are fixed in substance. The expected receipts are discounted using the interest rate charged to the lessee, which may be the interest rate implicit in the lease. Base rent for the office space lease is prepaid, and the interest rate for the land lease is 2 percent. Lease revenues and interest revenues totaling $924,797 and $118,015, respectively, were recognized during the 2022-23 fiscal year.

Allowance for Doubtful Receivables. Allowances for doubtful accounts and loans, leases, and notes receivable are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans, leases, and notes receivable are reported net of allowances of $15,989,342 and $1,437,695, respectively, at June 30, 2023.

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

7. Due From State

The amount due from State consists of $492,992 of Public Education Capital Outlay, $15,235,256 from Capital Improvement Fee Trust Fund allocations, and $107,074,620 from General Revenue allocations due from the State to the University for construction of University facilities.

8. Due From and To Component Units

The $15,463,122 reported as due from component units consists of amounts owed to the University from the University of South Florida Research Foundation, Inc. ($9,675,125) for grant and special project-related revenue, administrative overhead rebate, construction funding, and the value of publicly traded equity shares from intellectual property licensing agreements; from the University of South Florida Foundation, Inc. ($2,997,110), primarily for salary support, operating expense support, and scholarships; from the USF Institute of Applied Engineering, Inc. ($2,531,778) for salaries and other operating expenses at the University; from the USF Health Professions Conferencing Corporation ($242,112) for wages and program residuals, net of service invoices payable owed by the University; and from the USF Financing Corporation ($16,997) for interest earned on project-related funds, net of student housing and parking revenues owed by the University.

The $1,981,519 reported as due to component units represents amounts owed by the University to the University Medical Service Association, Inc. ($1,869,490), primarily for neurology support, net of amounts due to the University, primarily for salaries and other operating expenses; to Sun Dome, Inc. ($104,008) for operating expenses, net of merchandise sales due to the University; and to the University of South Florida Alumni Association, Inc. ($8,021) for deposits to cover payroll expenses.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2023, is shown in the following table:

Description	Beginning Balance (1)	Adjustments (2)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 21,931,206	$ -	$ -	$ -	$ 21,931,206
Works of Art and Historical Treasures	950,144	-	-	-	950,144
Other Capital Assets	1,173,750	-	-	-	1,173,750
Construction in Progress	82,006,408	-	87,556,717	67,195,583	102,367,542
Total Nondepreciable Capital Assets	$ 106,061,508	$ -	$ 87,556,717	$ 67,195,583	$ 126,422,642
Depreciable Capital Assets:					
Buildings	$ 1,843,848,270	$ -	$ 77,843,294	$ 5,134,014	$ 1,916,557,550
Infrastructure and Other Improvements	95,626,821	-	355,682	-	95,982,503
Furniture and Equipment	241,910,916	(2,478,439)	12,897,588	7,951,373	244,378,692
Library Resources	33,607,413	2,478,439	2,819,733	1,485	38,904,100
Works of Art and Historical Treasures	689,413	-	13,000	-	702,413
Other Capital Assets	11,188,325	-	96,804	1,588,227	9,696,902
Subscription-Based Information Technology Arrangements	9,132,947	-	6,353,488	-	15,486,435
Right-to-Use Leased Equipment	1,499,582	-	125,032	-	1,624,614
Right-to-Use Leased Space	33,680,131	-	1,731,232	974,635	34,436,728
Total Depreciable Capital Assets	2,271,183,818	-	102,235,853	15,649,734	2,357,769,937
Less, Accumulated Depreciation:					
Buildings	788,051,930	-	56,940,682	3,969,433	841,023,179
Infrastructure and Other Improvements	56,957,337	-	3,910,255	-	60,867,592
Furniture and Equipment	167,341,362	(1,077,398)	15,361,169	7,580,698	174,044,435
Library Resources	16,452,616	1,077,398	3,444,989	577	20,974,426
Works of Art and Historical Treasures	439,204	-	23,339	-	462,543
Other Capital Assets	10,553,849	-	171,367	1,588,227	9,136,989
Subscription-Based Information Technology Arrangements	-	-	4,090,196	-	4,090,196
Right-to-Use Leased Equipment	266,970	-	277,390	-	544,360
Right-to-Use Leased Space	5,775,568	-	5,742,478	853,916	10,664,130
Total Accumulated Depreciation	1,045,838,836	-	89,961,865	13,992,851	1,121,807,850
Total Depreciable Capital Assets, Net	$ 1,225,344,982	$ -	$ 12,273,988	$ 1,656,883	$ 1,235,962,087

(1) The beginning balance of Subscription-Based Information Technology Arrangements was established with the implementation of GASB Statement No. 96 as discussed in Note 2. The beginning balances of Buildings and the associated accumulated depreciation were adjusted to correct a prior year accounting error as discussed in Note 3.

(2) Amounts capitalized as Furniture and Equipment were identified as Library Resources and reclassified.

10. Service Concession Arrangement - Public-Private Partnership

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 $107,443,483, a dining facility fee liability in the amount of $4,608,533, and deferred inflows of resources in the amount of $106,246,554 at year end pursuant to the service concession arrangement.

11. Unearned Revenue

Unearned revenue at June 30, 2023, 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, 2023, 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, 2023, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 79,414,957
Capital Appropriations	314,685
Auxiliary Prepayments	3,873,145
Total Unearned Revenue	$ 83,602,787

12. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2023, include capital improvement debt payable, installment purchases payable, right-to-use leases payable, subscription arrangements liability, estimated insurance claims payable, compensated absences payable, Federal advances payable, dining facility fee payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2023, is shown in the following table:

Description	Beginning Balance (1)	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable	$ 6,978,916	$ -	$ 2,768,479	$ 4,210,437	$ 1,938,479
Installment Purchases Payable	231,872,534	27,265,595	12,642,933	246,495,196	12,589,471
Right-to-Use Leases Payable	29,140,514	1,856,265	5,647,009	25,349,770	3,808,425
Subscription Arrangements Liability	9,132,947	4,577,838	4,814,487	8,896,298	5,122,362
Estimated Insurance Claims Payable	24,681,970	-	1,735,029	22,946,941	1,042,833
Compensated Absences Payable	103,586,393	18,795,921	12,628,789	109,753,525	13,383,569
Federal Advance Payable	1,012,789	-	326,652	686,137	-
Dining Facility Fee Payable	4,634,875	-	26,342	4,608,533	27,922
Other Postemployment Benefits Payable	547,766,057	335,247,526	489,169,171	393,844,412	9,905,225
Net Pension Liability	148,981,813	350,679,852	119,363,978	380,297,687	74,818
Total Long-Term Liabilities	$ 1,107,788,808	$ 738,422,997	$ 649,122,869	$ 1,197,088,936	$ 47,893,104

(1) The beginning balance of Subscription-Based Information Technology Arrangements was established with the implementation of GASB Statement No. 96 as discussed in Note 2. The beginning balances of Estimated Insurance Claims Payable was adjusted to correct a prior year accounting error as discussed in Note 2.

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2023:

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	$ 4,210,437	2.2	2026
Total Capital Improvement Debt	$ 21,545,000	$ 4,210,437		

(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 $4,210,437 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 $4,414,400 and principal and interest paid for the current year totaled $2,934,550. During the 2022-23 fiscal year, traffic and parking fees, and transportation access fees totaled $9,723,530 and $3,247,546, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2023, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	4,245,000	169,400	4,414,400
Deferred Loss on Refunding	(34,563)	-	(34,563)
Total	$ 4,210,437	$ 169,400	$ 4,379,837

Installment Purchases Payable. The University has entered into installment purchase agreements for the purchase of equipment reported at $1,464,955. The stated interest rates ranged from 2.3 percent to 8.1 percent. The University pledged turf, chiller, camera, and police vehicle equipment as collateral for the installment purchases. The installment purchases contain a provision that, in an event of default, outstanding amounts become immediately due.

During the 2021-22 fiscal year, the University entered into an Energy Service Company (ESCO) equipment purchase agreement for the purpose of replacing aging equipment, improving utility efficiency, and reducing annual maintenance costs. The University entered into two additional ESCO equipment purchase agreements during the 2022-23 fiscal year. The University's Siemens ESCO Projects are for the amounts of $9,887,604, $9,898,672, and $8,950,000 with stated interest rates of 2.2 percent, 2.9 percent, and 4.1 percent, respectively. The University pledged boiler, chiller, electrical, lighting, and HVAC equipment as collateral for the ESCO installment purchases. The installment purchases contain provisions that, in an event of default, outstanding amounts become immediately due.

In addition, the University has installment purchases payable to USF Financing Corporation for debt used to finance the construction of various buildings, building improvements, and infrastructure.

The underlying debt of the installment purchases payable to USF Financing Corporation as of June 30, 2023, is as follows:

Debt Type and Series	Amount of Original Debt	Amount Outstanding (2)	Interest Rates (Percent)	Maturity Date To
Bonds:				
Series 2015 Marshall Center	$ 31,595,000	$ 23,045,000	3.65-5.00	2036
Notes:				
Series 2013 Arena (1)	20,000,000	12,507,500	4.78	2033
Series 2018A Athletics (1)	6,843,759	5,311,248	2.25	2030
Series 2018B Athletics (1)	9,354,110	7,379,475	2.25	2031
Certificates of Participation:				
Series 2012A Housing	77,015,000	72,745,000	5.00	2035
Series 2012B Housing	68,975,000	46,275,000	4.67	2037
Series 2015A Housing	23,640,000	-	5.00	2023
Series 2018 Housing	30,140,000	28,485,000	4.00-5.00	2048
Series 2019 Housing	15,510,000	13,820,000	3.25-5.00	2040
Series 2022 Housing	28,550,000	7,623,777	5.00-5.25	2052
Total	$ 311,622,869	$ 217,192,000		

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

(2) The University pays the USF Financing Corporation before amounts are due on the USF Financing Corporation debt, resulting in differences in the amounts outstanding for the University installment purchase liability and the USF Financing Corporation debt. For the new Series 2022 Housing Certificates of Participation, the University recognizes an installment purchase liability as the debt proceeds are spent. The total amount outstanding for the Series 2022 Housing Certificates for the USF Financing Corporation is $28,550,000.

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

Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2023, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2024	$ 23,066,286	$ 12,589,471	$ 10,476,815
2025	25,628,634	14,254,582	11,374,052
2026	25,699,116	14,972,126	10,726,990
2027	25,750,919	15,695,264	10,055,655
2028	25,714,746	16,362,012	9,352,734
2029-2033	124,125,393	88,912,068	35,213,325
2034-2038	73,138,792	59,296,619	13,842,173
2039-2043	19,173,914	15,948,054	3,225,860
2044-2048	9,507,000	8,465,000	1,042,000
Total Minimum Lease Payments	$ 351,804,800	$ 246,495,196	$ 105,309,604

Right-to-Use Leases Payable. The University leases office, laundry, and dark fiber equipment from external parties as well as office space and real property from external parties and discretely presented component units for various terms under long-term non-cancelable lease agreements. The leases expire at various dates through 2035. In accordance with GASB Statement No. 87, the University records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using the University's incremental borrowing rate.

The interest rates range from 1.3 percent to 3.5 percent. Variable payments are excluded from the valuations unless they are fixed in substance. Certain office space leases call for additional payments for the University's share of operating costs, which are the total of all costs incurred by the lessor relating to the ownership, operation, and maintenance of the building and services provided tenants in the building and may include items such as taxes, insurance, utilities, maintenance, janitorial services, waste disposal, and common area expenses. The lessor reasonably estimates the operating costs that will be payable for the year, and the University pays one twelfth of its share of the estimated operating costs monthly in advance with the payment of base rent. After the end of the year, the estimated costs are compared to the actual costs, and any adjustment payments are made. The operating cost payments are recognized as expenses as incurred and not included as lease liabilities or right-to-use assets on the statement of net position. During the 2022-23 fiscal year, the University recognized $3,441,621 for operating cost payments related to leases. The University does not have any leases subject to a residual value guarantee. See Note 9. for information on right-to-use assets and associated accumulated depreciation. Future minimum payments under right-to-use lease agreements and the present value of the minimum payments as of June 30, 2023, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2024	$ 4,460,663	$ 3,808,425	$ 652,238
2025	3,991,931	3,420,628	571,303
2026	3,912,517	3,421,216	491,301
2027	2,583,917	2,165,959	417,958
2028	2,043,876	1,682,646	361,230
2029-2033	9,169,963	8,120,378	1,049,585
2034-2035	2,800,691	2,730,518	70,173
Total Minimum Lease Payments	$ 28,963,558	$ 25,349,770	$ 3,613,788

Subscription Arrangements Liability. The University has entered into SBITA for the right to use academic and business software. The terms range from 3 to 5 years. The University has discounted the future minimum payments using its incremental borrowing rate. The interest rates range from 2 percent to 2.6 percent. Variable payments are excluded from the valuations unless they are fixed in substance. During the 2022-23 fiscal year, the University recognized $1,089,697 for variable costs, support, and additional cloud storage not included in the measurement of the subscription liability. See Note 9. for information on subscription assets and associated accumulated depreciation. Future minimum payments under SBITA and present value of the minimum payments as of June 30, 2023, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2024	$ 5,312,350	$ 5,122,362	$ 189,988
2025	2,903,646	2,821,696	81,950
2026	613,443	593,422	20,021
2027	366,138	358,818	7,320
Total	$ 9,195,577	$ 8,896,298	$ 299,279

In addition, as of June 30, 2023, the University has reported $4,483,161 of prepayments for costs before the commencement of the subscription term. Future subscription payment commitments for software being implemented total $5,325,807.

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, 2023, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $109,753,525. The current portion of the compensated absences liability, $13,383,569, 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 $686,137.

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, 2023, are as follows:

Fiscal Year Ending June 30	Amount
2024	$ 300,000
2025	300,000
2026	300,000
2027	300,000
2028	300,000
2029-2033	1,500,000
2034-2038	1,500,000
2039-2043	1,500,000
2044-2048	1,500,000
2049-2053	1,500,000
2054-2058	1,500,000
2059-2063	1,500,000
2064	300,000
Total Minimum Payments	12,300,000
Less, Amount Representing Interest	7,691,467
Present Value of Minimum Payments	$ 4,608,533

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 $393,844,412 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2022. At June 30, 2022, the University's proportionate share, determined by its proportion of total benefit payments made, was 5.02 percent, which was a decrease of 0.18 from its proportionate share reported as of June 30, 2021.

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	Varies by FRS class
Discount rate	4.09 percent
Healthcare cost trend rates	10.3 percent for the Preferred Provider Organizations (PPO) for 2022, initially increasing to 8.3 percent for 2025 before decreasing to ultimate rate of 4 percent for 2076 and later years 7.5 percent for the Health Maintenance Organizations (HMO), for 2022, initially increasing to 6.5 percent for 2025 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 Index Rate.

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 24-month period since July 1, 2020.
- Claims Costs and Premium Rates – The assumed claims and premiums reflect the actual claims information that was provided as well as the premiums that are actually being charged to participants. The recent claims experience along with changes in the demographics of the population resulted in lower claims costs compared to expected, as well as lower premium rates than expected. The net result was a slight increase in liabilities due to claims and premiums as of June 30, 2022.
- Trend Rate – The medical trend assumption is updated each year based on the Getzen Model. The medical trend rates used are consistent with the August 2022 Report on Financial Outlook of the Plan along with information from the Getzen Model and actuarial judgement. The impact of the trend rate changes is a small increase in the liability, due primarily to higher trend rates in the first several years.
- Discount Rate – The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Index Rate as of the measurement date, as required under GASB Statement No. 75. The discount rate increased from 2.18 percent to 4.09 percent.

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 (3.09 percent) or 1 percentage point higher (5.09 percent) than the current rate:

	1% Decrease (3.09%)	Current Discount Rate (4.09%)	1% Increase (5.09%)
University's proportionate share of the total OPEB liability	$475,961,576	$393,844,412	$329,956,080

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's proportionate share of the total OPEB liability	$323,694,256	$393,844,412	$486,797,494

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

For the fiscal year ended June 30, 2023, the University recognized OPEB expense of $1,857,616. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 43,073,823
Change of assumptions or other inputs	45,540,386	257,328,502
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	80,400,146	20,632,955
Transactions subsequent to the measurement date	10,090,308	-
Total	$ 136,030,840	$ 321,035,280

Of the total amount reported as deferred outflows of resources related to OPEB, $10,090,308 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 fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2024	$ (37,425,379)
2025	(37,425,379)
2026	(27,178,587)
2027	(21,209,954)
2028	(24,149,887)
Thereafter	(47,705,562)
Total	$ (195,094,748)

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, 2023, the University's proportionate share of the net pension liabilities totaled $380,297,687. Note 14. includes a complete discussion of defined benefit pension plans.

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

Long-term liabilities of the USF Financing Corporation at June 30, 2023, include a mortgage loan payable, notes payable, bonds payable, and certificates of participation payable. Long-term liabilities activity for the year ended June 30, 2023, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Bonds Payable	$ 25,470,000	$ -	$ 1,185,000	$ 24,285,000	$ 1,240,000
Certificates of Participation Payable	125,060,000	28,550,000	4,885,000	148,725,000	5,125,000
Direct Borrowings and Placements:					
Mortgage Loan Payable	2,909,916	-	250,911	2,659,005	261,742
Notes Payable	65,264,883	-	4,157,316	61,107,567	4,393,059
Certificates of Participation Payable	97,905,000	-	5,880,000	92,025,000	5,000,000
Long Term Liabilities	316,609,799	28,550,000	16,358,227	328,801,572	$ 16,019,801
Original Issue Premium	8,083,713	1,448,953	1,483,636	8,049,030	
Total Long Term Liabilities	$324,693,512	$ 29,998,953	$ 17,841,863	$336,850,602	

Mortgage Loan Payable.

The USF Financing Corporation had a mortgage loan payable outstanding at June 30, 2023, as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rate	Issue Date	Maturity Date
Series 2019 UDI Building	$ 3,600,000	$ 2,659,005	4.33	2019	2031
Total	$ 3,600,000	$ 2,659,005			

Series 2019 Conventional Mortgage Loan (UDI Building). On May 1, 2019, the USF Financing Corporation entered into a conventional mortgage loan agreement, Series 2019, with Valley National Bank. The Series 2019 Conventional Mortgage Loan was issued at a taxable, fixed interest rate of

4.33 percent and matures in 2031. The proceeds of the loan were used to finance the acquisition of the University Diagnostic Institute (UDI) Building located in the USF Research Park.

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

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

Mortgage Loan Payable – Schedule of Payments.

The following is a schedule of future payments payable under the mortgage loan agreement as of June 30, 2023:

	Direct Borrowing	
Fiscal Year ending June 30	**Principal**	**Interest**
2024	$ 261,742	$ 114,227
2025	273,664	102,306
2026	285,810	90,160
2027	298,495	77,475
2028	311,576	64,393
2029-2032	1,227,718	111,783
Total Minimum Payments	$ 2,659,005	$ 560,344

Notes Payable.

The USF Financing Corporation had notes payable outstanding at June 30, 2023, as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue Date	Maturity Date
Series 2013 Arena	$ 20,000,000	$ 13,295,000	4.78	2013	2033
Series 2018A Athletics	6,843,759	5,311,248	2.25	2020	2030
Series 2018B Athletics	9,354,110	7,379,475	2.25	2020	2031
Series 2018 CAMLS	13,857,941	10,932,556	2.25	2020	2031
Series 2019 Research Lab	27,000,000	24,189,288	3.22	2019	2039
Total	$ 77,055,810	$ 61,107,567			

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

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

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

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

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

On August 31, 2020, the USF Financing Corporation refinanced the Series 2018A and Series 2018B Athletics Notes, reducing the net interest rates from 3.46 percent and 3.51 percent, respectively, to 2.25 percent as evidenced by the Amended and Restated Promissory Notes. The Amended and Restated Series 2018A Athletics Note was issued in the amount of $6,843,759. The proceeds were used to prepay the outstanding principal of the Series 2018A Athletics Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $68,438. This amount represents the 1 percent prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow, is being charged to operations through the year 2030 using the straight-line method. At June 30, 2023, the unamortized balance of the deferred outflow was $36,991. 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 5 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, 2023, the unamortized balance of the deferred outflow was $53,669. The USF Financing Corporation completed these current refundings to reduce its total debt service payments over the next 11 years by approximately $1 million and to obtain the economic gain (the difference between the present values of the old and new debt service payments) of approximately $0.9 million.

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

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

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

On August 31, 2020, the USF Financing Corporation refinanced the Series 2018 CAMLS Notes, reducing the net interest rates from 3.51 percent to 2.25 percent as evidenced by the Amended and Restated Promissory Note. The Amended and Restated Series 2018 CAMLS Note was issued in the amount of $13,857,941. The proceeds were used to prepay the outstanding principal of the Series 2018 CAMLS Note in the same amount. The refunding resulted in a difference between the reacquisition price and the net carrying amount in the amount of $138,579. This amount represents the 1 percent prepayment premium required to prepay the debt during the first five years of the loan agreement. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow, is being charged to operations through the year 2031 using the straight-line method. At June 30, 2023, the unamortized balance of the deferred outflow was $79,510. The USF Financing Corporation completed these current refundings to reduce its total debt service payments over the next 11 years by approximately $0.9 million and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of approximately $0.8 million.

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

For the Series 2018 CAMLS Note, the USF Financing Corporation entered into a Ground Lease Agreement, dated as of December 15, 2010, and amended as of June 12, 2015, and March 9, 2018, with the University Board of Trustees whereby the University has leased to the USF Financing Corporation the land on which the CAMLS facility is located. The University acquired land in the central business district of downtown Tampa, Florida. The USF Financing Corporation subleased the CAMLS facility to USF Health Professions Conferencing Corporation (HPCC), a direct-support organization of the University, pursuant to a facility lease agreement, until 2051, unless sooner terminated. USF HPCC makes payments to the USF Financing Corporation in an amount equal to 100 percent of principal and interest due on the Note, together with all other amounts due on the Note. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

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

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

For the Series 2019 Research Laboratory and Office Building Note, the USF Financing Corporation entered into a sublease agreement, dated March 11, 2020, with the USF Research Foundation whereby the USF Research Foundation has leased to the USF Financing Corporation the land on which the Research Laboratory and Office Building will be developed. Pursuant to the master lease agreement, dated December 16, 2019, the USF Financing Corporation sub-subleased the land and the improvements back to the USF Research Foundation until the earlier of the date all amounts due on the loan are paid in full or July 1, 2052, unless sooner terminated. The USF Research Foundation is permitted to take possession of the land and improvement upon completion of such improvements. The USF Research Foundation makes payments to the USF Financing Corporation in an amount equal to 100 percent of principal and interest due on the Note, together with all other amounts due on the Note. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

Notes Payable – Schedule of Payments.

The following is a schedule of future payments payable under the loan agreements as of June 30, 2023:

Fiscal Year Ending June 30	Direct Borrowing Principal	Direct Borrowing Interest
2024	$ 4,393,059	$ 1,921,648
2025	4,640,557	1,785,179
2026	4,900,562	1,643,213
2027	5,178,873	1,493,631
2028	5,476,376	1,336,949
2029-2033	23,033,200	4,133,290
2034-2038	9,717,168	1,437,645
2039-2040	3,767,772	183,081
Total Minimum Payments	$ 61,107,567	$ 13,934,636

Bonds Payable.

The USF Financing Corporation had bonds outstanding at June 30, 2023, as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue Date	Maturity Date
Series 2015 Marshall Center	$ 31,595,000	$ 24,285,000	2.00-5.00	2015	2036
Total	$ 31,595,000	$ 24,285,000			

Series 2015 Marshall Center Revenue Bonds. The Series 2015 tax-exempt, fixed rate Marshall Center Capital Improvement Refunding Revenue Bonds were issued on May 6, 2015, to refund the Series 2005C Certificates of Participation, in advance of the first optional prepayment date of the Series 2005C Certificates on July 1, 2015. The Series 2005C Certificates were originally issued to finance the cost to lease purchase a new student center. The Bonds were issued at tax-exempt, fixed interest rates ranging from 2 to 5 percent. The Bonds mature in 2036 and, beginning on July 1, 2025, are callable at the option of the USF Financing Corporation at 100 percent of the principal amount outstanding. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $418,352. This difference, reported in the USF Financing Corporation's financial statements as a deferred outflow of resources, is being charged to operations through the year 2036 using the straight-line method. At June 30, 2023, the unamortized balance of the deferred outflow of resources was $118,445. The USF Financing Corporation completed the advance refunding to reduce its total debt service payments over the next 21 years by $4.6 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3.3 million.

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

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

Bonds Payable – Schedule of Payments.

The following is a schedule of future payments payable under the bond agreements as of June 30, 2023:

	Bonds	
Fiscal Year Ending June 30	**Principal**	**Interest**
2024	$ 1,240,000	$ 1,124,395
2025	1,305,000	1,060,770
2026	1,365,000	994,020
2027	1,435,000	924,020
2028	1,510,000	850,395
2029-2033	8,755,000	3,011,350
2034-2036	8,675,000	714,988
Total Minimum Payments	24,285,000	$ 8,679,938
Unamortized Premium	1,181,953	
Bonds Payable	$ 25,466,953	

Certificates of Participation Payable.

The USF Financing Corporation had Certificates of Participation (Certificates) outstanding at June 30, 2023, as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rates	Issue/ Acceptance Date	Maturity Date
Series 2012A Housing	$ 77,015,000	$ 74,680,000	5.00	2015	2035
Series 2015A Housing	23,640,000	2,065,000	5.00	2015	2023
Series 2018 Housing	30,140,000	29,065,000	4.00–5.00	2019	2048
Series 2019 Housing	15,510,000	14,365,000	3.25–5.00	2019	2040
Series 2022 Housing	28,550,000	28,550,000	5.00-5.25	2022	2052
Direct Placements:					
Series 2003A Athletics	9,905,000	-	3.82	2011	2022
Series 2012B Housing	68,975,000	48,750,000	4.67	2012	2037
Series 2013A Health	37,920,000	28,240,000	3.43	2016	2036
Series 2013B Health	17,925,000	15,035,000	4.29	2018	2037
Total	$ 309,580,000	$ 240,750,000			

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 UMSA, a direct-support organization of the University, pursuant to individual office building lease agreements. UMSA makes payments to the USF Financing Corporation in an amount equal to 120 percent of principal and interest due on the Series 2013A Certificates, together with all other amounts due on the Notes. Pursuant to GASB Statement No. 87, the payments for principal reduce the related financing receivables and the payments for interest are recorded as operating income.

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

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

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

Series 2015A Housing Certificates. The Series 2015A tax-exempt, fixed rate Certificates were issued on May 6, 2015, to refund the Series 2005A Certificates, in advance of the first optional prepayment date of the Series 2005A Certificates on July 1, 2015. The Series 2005A Certificates were originally issued to retire or defease the University's prior housing financings. The Certificates mature in 2023 and are not subject to prepayment at the option of the USF Financing Corporation. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of $997,085. This difference, reported in USF Financing Corporation's financial statements as a deferred inflow of resources, is being charged to operations through the fiscal year 2024 using the straight-line method. At June 30, 2023, the unamortized balance of the deferred inflow of resources was $0. 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 fiscal year 2040 using the straight-line method. At June 30, 2023, the unamortized balance of the deferred outflow of resources was $402,754. 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 Athletics Certificates hold a tax-exempt, fixed interest rate of 3.82 percent. The Series 2003A Certificates matured in 2022.

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

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

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

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

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

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

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

Series 2022 Housing Certificates. The $28.6 million Series 2022 Certificates of Participation were issued on October 31, 2022. The 30-year, fixed interest rate public bonds bear interest at rates ranging from 5 to 5.25 percent with an all-in true interest cost of 4.85 percent. The Certificates were issued on parity with the $176 million “A1/A+” rated USF Housing System. The debt, along with a $16.5 million cash contribution from the University, will finance the construction of the $46.5 million mixed-use facility comprising a 200-bed student housing component and student center on the University’s Sarasota-Manatee campus. The Certificates, which have a final maturity date of July 1, 2052, are callable at the option of the USF Financing Corporation on scheduled dates and in scheduled installments beginning on July 1, 2032.

The Series 2022 Certificates are secured by a lien on pledged revenues, on parity with the outstanding Housing Certificates. The 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.

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, 2023:

Fiscal Year ending June 30	Certificates Principal	Certificates Interest	Direct Placements Principal	Direct Placements Interest
2024	$ 5,125,000	$ 5,569,000	$ 5,000,000	$ 3,785,313
2025	5,665,000	5,299,250	5,140,000	3,573,424
2026	6,455,000	6,473,763	5,310,000	3,354,897
2027	6,790,000	6,142,638	5,480,000	3,129,043
2028	7,165,000	5,793,763	5,675,000	2,895,276
2029-2033	41,545,000	23,097,400	31,175,000	10,688,433
2034-2038	36,240,000	12,576,563	34,245,000	3,602,735
2039-2043	14,825,000	7,580,294	-	-
2044-2048	14,660,000	4,310,838	-	-
2049-2053	10,255,000	1,187,563	-	-
Total Minimum Payments	148,725,000	$ 78,031,072	92,025,000	$ 31,029,121
Unamortized Premium	6,867,077		-	
Certificates of Participation Payable	$ 155,592,077		$ 92,025,000	

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 $45,011,451 at June 30, 2023, 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, 2023, 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 from the swap counterparty equal to a defined variable rate index. On March 22, 2023, the Corporation successfully closed a transaction to modify the variable rate index on the Series 2012B Certificates of Participation from LIBOR to a SOFR as a substitute rate. The transaction was completed well in advance of the discontinuance of LIBOR as a benchmark index rate on June 30, 2023. Management negotiated with the bank holding the Series 2012B COPs to maintain the existing spread at 73 basis points. With SOFR's lower trading costs, the swap counterparty will pay a small spread to the Corporation, resulting in a slight benefit of 8.2 basis points.

The following table summarizes the USF Financing Corporation's outstanding interest rate swap and the related fair value as of June 30, 2023:

Underlying Bond Issue	Counter-party	Initial Notional Amount of Swap	Outstanding Amount of Swap	Effective Date	Initial Term (Years)	Semi Annual Fixed Rate Percentage	Fair value June 30, 2021	Cash Flow
Series 2012B	Royal Bank of Canada	$ 73,700,000	$ 48,750,000	9-25-07	30	3.939	$ (3,522,963)	$ (1,365,331)

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, 2023, was ($3,614,064). 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, 2023, of ($3,522,963) 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, 2023, was $2,890,900 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, 2023:

Fiscal Year Ending June 30	Interest
2024	$ 1,822,772
2025	1,722,328
2026	1,617,944
2027	1,509,622
2028	1,396,376
2029-2033	5,131,532
2034-2037	1,585,448
Total Interest Payments	$ 14,786,022

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, 2023, there was no posted collateral.

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

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

14. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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

The University’s FRS and HIS pension expense totaled $47,872,807 for the fiscal year ended June 30, 2023.

FRS Pension Plan

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

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

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

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2022-23 fiscal year were:

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	11.91
FRS, Senior Management Service	3.00	31.57
FRS, Special Risk	3.00	27.83
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.60
FRS, Reemployed Retiree	(2)	(2)

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

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

The University's contributions to the Plan totaled $40,230,110 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the University reported a liability of $305,760,559 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The University's proportionate share of the net pension liability was based on the University's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the University's proportionate share was 0.821759465 percent, which was an increase of 0.027260401 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the University recognized pension expense of $44,129,759. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,521,861	$ -
Change of assumptions	37,655,692	-
Net difference between projected and actual earnings on FRS Plan investments	20,189,329	-
Changes in proportion and differences between University contributions and proportionate share of contributions	9,500,311	8,044,095
University FRS contributions subsequent to the measurement date	40,230,110	-
Total	$ 122,097,303	$ 8,044,095

The deferred outflows of resources totaling $40,230,110, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2024	$ 18,533,915
2025	6,615,020
2026	(6,672,615)
2027	51,916,889
2028	3,429,889
Total	$ 73,823,098

Actuarial Assumptions. The total pension liability in the July 1, 2022, 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	6.70 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, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.6%	2.6%	1.1%
Fixed Income	19.8%	4.4%	4.4%	3.2%
Global Equity	54.0%	8.8%	7.3%	17.8%
Real Estate (Property)	10.3%	7.4%	6.3%	15.7%
Private Equity	11.1%	12.0%	8.9%	26.3%
Strategic Investments	3.8%	6.2%	5.9%	7.8%
Total	100.0%			
Assumed inflation - Mean			2.4%	1.3%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.70 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 2022 valuation was updated from 6.80 percent to 6.70 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 6.70 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 (5.70 percent) or 1 percentage point higher (7.70 percent) than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
University's proportionate share of the net pension liability	$528,791,863	$305,760,559	$119,279,851

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

Payables to the Pension Plan. At June 30, 2023, the University reported a payable of $3,337,595 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2023.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2023, 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, 2023, 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 $4,851,333 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the University reported a liability of $74,537,128 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The University's proportionate share of the net pension liability was based on the University's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the University's proportionate share was 0.703738320 percent, which was a decrease of 0.021541212 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the University recognized pension expense of $3,743,048. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,262,378	$ 327,970
Change of assumptions	4,272,516	11,530,846
Net difference between projected and actual earnings on HIS Plan investments	107,914	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	1,215,581	4,454,533
University HIS contributions subsequent to the measurement date	4,851,333	-
Total	$ 12,709,722	$ 16,313,349

The deferred outflows of resources totaling $4,851,333, 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2024	$ (1,657,604)
2025	(1,226,515)
2026	(990,395)
2027	(1,573,795)
2028	(2,132,160)
Thereafter	(874,491)
Total	$ (8,454,960)

Actuarial Assumptions. The total pension liability in the July 1, 2022, 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	3.54 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.54 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 Rate was adopted as the applicable municipal bond index. The discount rate used in the 2022 valuation was updated from 2.16 percent to 3.54 percent.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.54 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	1% Decrease (2.54%)	**Current Discount Rate (3.54%)**	**1% Increase (4.54%)**
University's proportionate share of the net pension liability	$85,276,595	$74,537,128	$65,650,441

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

Payables to the Pension Plan. At June 30, 2023, the University reported a payable of $551,316 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2023.

15. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2022-23 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	9.30
FRS, Senior Management Service	10.67
FRS, Special Risk Regular	17.00

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, 2023, 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 $13,119,764 for the fiscal year ended June 30, 2023.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 4.23 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.38 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 $34,236,317, and employee contributions totaled $19,252,092 for the 2022-23 fiscal year.

16. Construction Commitments

The University's major construction commitments at June 30, 2023, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Judy Genshaft Honors College	$ 89,010,728	$ 53,617,916	$ 35,392,812
Sarasota-Manatee Campus Student Center and Residence Hall	43,166,747	6,564,237	36,602,510
ESCO Projects	31,658,121	5,686,715	25,971,406
USF On-Campus Stadium	28,319,520	2,004,516	26,315,004
College of Nursing Expansion	28,176,535	735,986	27,440,549
USF Wellness Center Complex	20,761,652	2,291,000	18,470,652
Taneja College of Pharmacy	15,960,416	1,473,319	14,487,097
USF Health Morsani College of Medicine and Heart Institute Buildout	15,770,491	4,643,515	11,126,976
USF Indoor Performance Facility	10,671,205	81,724	10,589,481
College of Behavioral and Community Sciences HVAC Replacement	7,176,199	372,641	6,803,558
Southeast Chiller Plant Addition	6,629,152	3,369,639	3,259,513
Tampa Campus Deferred Maintenance	5,399,921	-	5,399,921
Subtotal	302,700,687	80,841,208	221,859,479
Other Projects (1)	164,453,369	21,526,334	142,927,035
Total	$ 467,154,056	$ 102,367,542	$ 364,786,514

(1) Individual projects with a current balance committed of less than $4 million at June 30, 2023.

17. State Self-Insurance Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2022-23 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 $56.3 million for named windstorm and flood through February 14, 2023, and decreased to $40.2 million for flood and $38.6 million for named windstorm starting February 15, 2023. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $168.7 million through February 14, 2023, and increased to $184.8 million starting February 15, 2023; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk

Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

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

18. University Self-Insurance Program

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

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

The Program's estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. Changes in the Program's claim liability amount for the fiscal years ended June 30, 2022, and June 30, 2023, are presented in the following table:

Fiscal Year	**Claims Liability Beginning of Year** (1)	**Claims and Changes in Estimates** (2)	**Claim Payments**	**Claims Liability End of Year**
2021-22	$ 24,630,429	$ 1,340,504	$ (1,288,963)	$ 24,681,970
2022-23	24,681,970	(637,104)	(1,097,925)	22,946,941

(1) The beginning balance of the claims liability were restated to correct a prior year accounting error as discussed in Note 2.

(2) The 2021-22 fiscal year claims and changes in estimates were restated to correct a prior year accounting error as discussed in Note 2.

19. Litigation

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

20. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 474,348,252
Research	384,288,382
Public Services	28,360,204
Academic Support	132,643,423
Student Services	66,138,033
Institutional Support	126,050,850
Operation and Maintenance of Plant	87,187,802
Scholarships, Fellowships, and Waivers	101,764,929
Depreciation	89,961,865
Auxiliary Enterprises	148,502,622
Loan Operations	113,097
Total Operating Expenses	$ 1,639,359,459

21. Segment Information

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

Condensed Statement of Net Position

	Parking Facilities
Assets	
Current Assets	$ 16,879,115
Capital Assets, Net	32,283,410
Other Noncurrent Assets	12,136,462
Total Assets	61,298,987
Deferred Outflows of Resources	1,205,099
Liabilities	
Current Liabilities	2,209,306
Noncurrent Liabilities	5,950,653
Total Liabilities	8,159,959
Deferred Inflows of Resources	1,536,832
Net Position	
Net Investment in Capital Assets	28,072,973
Restricted - Expendable	12,879,775
Unrestricted	11,854,547
Total Net Position	$ 52,807,295

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

	Parking Facilities
Operating Revenues	$ 12,977,601
Depreciation Expense	(1,741,668)
Other Operating Expenses	(8,979,859)
Operating Income	2,256,074
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	141,105
Interest Expense	(166,071)
Other Nonoperating Expense	(3,282)
Net Nonoperating Expenses	(28,248)
Income Before Other Revenues	2,227,826
Transfers from Other University Funds	1,425
Increase in Net Position	2,229,251
Net Position, Beginning of Year	50,578,044
Net Position, End of Year	$ 52,807,295

Condensed Statement of Cash Flows

	Parking Facilities
Net Cash Provided (Used) by:	
Operating Activities	$ 4,227,058
Capital and Related Financing Activities	(3,695,342)
Investing Activities	(1,468,740)
Net Decrease in Cash and Cash Equivalents	(937,024)
Cash and Cash Equivalents, Beginning of Year	3,576,279
Cash and Cash Equivalents, End of Year	$ 2,639,255

22. Blended Component Unit

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

Condensed Statement of Net Position

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Other Current Assets	$ 4,776,814	$ 1,084,786,748	$ -	$ 1,089,563,562
Capital Assets, Net	3,515	1,362,381,214	-	1,362,384,729
Other Noncurrent Assets	73,385,580	75,228,999	-	148,614,579
Total Assets	78,165,909	2,522,396,961	-	2,600,562,870
Deferred Outflows of Resources	-	270,837,865	-	270,837,865
Liabilities:				
Other Current Liabilities	1,140,634	213,961,071	-	215,101,705
Noncurrent Liabilities	21,904,108	1,127,291,724	-	1,149,195,832
Total Liabilities	23,044,742	1,341,252,795	-	1,364,297,537
Deferred Inflows of Resources	-	474,984,189	-	474,984,189
Net Position:				
Net Investment in Capital Assets	3,515	983,827,495	-	983,831,010
Restricted - Expendable	55,117,652	295,961,018	-	351,078,670
Unrestricted	-	(302,790,671)	-	(302,790,671)
Total Net Position	$ 55,121,167	$ 976,997,842	$ -	$ 1,032,119,009

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

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Operating Revenues	$ 5,369,941	$ 949,133,913	$ (636,862)	$ 953,866,992
Depreciation Expense	(962)	(89,960,903)	-	(89,961,865)
Other Operating Expenses	(3,100,048)	(1,546,934,408)	636,862	(1,549,397,594)
Operating Income (Loss)	2,268,931	(687,761,398)	-	(685,492,467)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	2,642,391	751,776,578	-	754,418,969
Interest Expense	-	(12,096,237)	-	(12,096,237)
Other Nonoperating Expense	-	(21,930,417)	-	(21,930,417)
Net Nonoperating Revenues	2,642,391	717,749,924	-	720,392,315
Other Revenues	-	165,939,875	-	165,939,875
Increase in Net Position	4,911,322	195,928,401	-	200,839,723
Net Position, Beginning of Year	50,209,845	775,366,333	-	825,576,178
Adjustment to Beginning Net Position (1)	-	5,703,108	-	5,703,108
Net Position, Beginning of Year, as Restated	50,209,845	781,069,441	-	831,279,286
Net Position, End of Year	$ 55,121,167	$ 976,997,842	$ -	$ 1,032,119,009

(1) The beginning net position of the University was adjusted to correct a prior year accounting error as discussed in Note 3.

Condensed Statement of Cash Flows

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 2,318,412	$ (540,072,801)	$ -	$ (537,754,389)
Noncapital Financing Activities	-	690,479,828	-	690,479,828
Capital and Related Financing Activities	(1,677)	(78,324,199)	-	(78,325,876)
Investing Activities	(1,741,068)	(86,724,656)	-	(88,465,724)
Net Increase (Decrease) in Cash and Cash Equivalents	575,667	(14,641,828)	-	(14,066,161)
Cash and Cash Equivalents, Beginning of Year	2,713,193	91,517,206	-	94,230,399
Cash and Cash Equivalents, End of Year	$ 3,288,860	$ 76,875,378	$ -	$ 80,164,238

23. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations			
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.
Assets:				
Current Assets	$ 125,839,247	$ 976,072	$ 1,684,919	$ 4,695,975
Capital Assets, Net	17,052,139	-	15,341,140	549,704
Other Noncurrent Assets	694,680,033	9,434,559	18,425	-
Total Assets	837,571,419	10,410,631	17,044,484	5,245,679
Deferred Outflows of Resources	-	-	79,510	-
Liabilities:				
Current Liabilities	7,060,791	502,828	2,825,485	3,543,445
Noncurrent Liabilities	4,476,674	2,556,415	9,582,736	2,255,208
Total Liabilities	11,537,465	3,059,243	12,408,221	5,798,653
Deferred Inflows of Resources	27,805,961	24,920	538,572	-
Net Position:				
Net Investment in Capital Assets	12,940,078	-	4,507,202	549,704
Restricted Nonexpendable	402,121,998	1,165,138	-	-
Restricted Expendable	358,289,880	542,812	-	-
Unrestricted	24,876,037	5,618,518	(330,001)	(1,102,678)
Total Net Position	$ 798,227,993	$ 7,326,468	$ 4,177,201	$ (552,974)

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

(2) The University of South Florida Medical Services Support Corporation had no operations to report.

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)
$ 4,339,461	$ 19,263,369	$ 21,152,220	$ 125,928,207	$ -	$ 303,879,470
989,393	76,174,065	-	71,394,607	-	181,501,048
-	83,013,459	346,023,055	18,340,692	153,174	1,151,663,397
5,328,854	178,450,893	367,175,275	215,663,506	153,174	1,637,043,915
-	-	4,214,332	-	-	4,293,842
4,031,493	14,388,659	21,821,751	37,795,141	352,587	92,322,180
101,228	37,494,448	324,353,764	56,858,407	-	437,678,880
4,132,721	51,883,107	346,175,515	94,653,548	352,587	530,001,060
-	49,206,579	-	20,872,645	-	98,448,677
815,528	37,245,883	-	8,765,239	-	64,823,634
-	-	-	-	-	403,287,136
-	2,513,917	21,188,986	-	-	382,535,595
380,605	37,601,407	4,025,106	91,372,074	(199,413)	162,241,655
$ 1,196,133	$ 77,361,207	$ 25,214,092	$ 100,137,313	$ (199,413)	$ 1,012,888,020

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	$ 40,965,580	$ 2,624,232	$ 14,120,812	$ 6,472,953
Operating Expenses	(114,474,155)	(2,723,806)	(13,777,556)	(5,950,704)
Operating Income (Loss)	(73,508,575)	(99,574)	343,256	522,249
Net Nonoperating Revenues (Expenses)	71,340,498	584,850	851,956	(413,452)
Other Revenues	13,902,299	45,890	-	-
Increase (Decrease) in Net Position	11,734,222	531,166	1,195,212	108,797
Net Position, Beginning of Year	786,493,771	6,795,302	2,981,989	(661,771)
Adjustment to Beginning Net Position (2)	-	-	-	-
Net Position, Beginning of Year, as Restated	786,493,771	6,795,302	2,981,989	(661,771)
Net Position, End of Year	$ 798,227,993	$ 7,326,468	$ 4,177,201	$ (552,974)

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

(2) The beginning net position of the University Medical Service Association was adjusted to correct a prior year accounting error as discussed in Note 3.

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**
$ 13,640,750	$ 11,717,917	$ 15,071,597	$ 369,444,374	$ -	$ 474,058,215
(13,699,515)	(15,204,158)	(1,457,425)	(362,411,359)	(13,000)	(529,711,678)
(58,765)	(3,486,241)	13,614,172	7,033,015	(13,000)	(55,653,463)
610,042	2,995,873	(10,226,369)	(10,357,111)	(268,420)	55,117,867
-	-	-	-	-	13,948,189
551,277	(490,368)	3,387,803	(3,324,096)	(281,420)	13,412,593
644,856	77,851,575	21,826,289	100,105,789	82,007	996,119,807
-	-	-	3,355,620	-	3,355,620
644,856	77,851,575	21,826,289	103,461,409	82,007	999,475,427
$ 1,196,133	$ 77,361,207	$ 25,214,092	$ 100,137,313	$ (199,413)	$ 1,012,888,020

24. Subsequent Events

On May 9, 2023, the USF Financing Corporation Board of Directors authorized the issuance of debt in an amount equal to $200,000,000 for the purpose of financing a portion of the construction of a stadium project to be located on the Tampa campus of the University. The debt is anticipated to be in the form of a bank loan at a taxable, fixed interest rate, will be issued on parity with the USF Financing Corporation's outstanding Athletics notes, and will mature not more than 20 years after issuance. The University of South Florida anticipates contributing approximately $140 million to pay for a portion of the project. The debt was approved by the USF Board of Trustees on June 13, 2023, and was approved by the Florida Board of Governors on September 8, 2023. The debt was issued on December 5, 2023.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019
University's proportion of the total other postemployment benefits liability	5.02%	5.20%	5.09%	4.39%
University's proportionate share of the total other postemployment benefits liability	$ 393,844,412	$ 547,766,057	$ 523,378,900	$ 556,271,661
University's covered-employee payroll	$ 579,907,971	$ 575,529,744	$ 576,330,586	$ 566,991,383
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	67.91%	95.18%	90.81%	98.11%

2018	2017	2016
4.13%	4.13%	4.07%
$ 435,779,000	$ 446,394,000	$ 480,770,000
$ 539,620,556	$ 512,542,210	$ 490,228,479
80.76%	87.09%	98.07%

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

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
University's proportion of the FRS net pension liability	0.821759465%	0.794499064%	0.817057250%	0.844746094%
University's proportionate share of the FRS net pension liability	$ 305,760,559	$ 60,015,374	$ 354,124,653	$ 290,918,794
University's covered payroll (2)	$ 579,907,971	$ 575,529,744	$ 576,330,586	$ 566,991,383
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	52.73%	10.43%	61.44%	51.31%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.89%	96.40%	78.85%	82.61%

(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

	2023 (1)	**2022** (1)	**2021** (1)	**2020** (1)
Contractually required FRS contribution	$ 40,230,110	$ 35,082,441	$ 30,391,134	$ 27,147,192
FRS contributions in relation to the contractually required contribution	(40,230,110)	(35,082,441)	(30,391,134)	(27,147,192)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 657,251,291	$ 579,907,971	$ 575,529,744	$ 576,330,586
FRS contributions as a percentage of covered payroll	6.12%	6.05%	5.28%	4.71%

(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.

2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
0.829635447%	0.775094790%	0.763712910%	0.764319997%	0.718476151%	0.558052129%
$ 249,890,497	$ 229,267,838	$ 192,838,109	$ 98,722,179	$ 43,837,611	$ 96,065,609
$ 539,620,556	$ 512,542,210	$ 490,228,479	$ 466,345,909	$ 443,554,247	$ 431,524,683
46.31%	44.73%	39.34%	21.17%	9.88%	22.26%
84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
$ 26,352,406	$ 23,643,944	$ 20,316,942	$ 18,547,490	$ 18,634,771	$ 15,737,677
(26,352,406)	(23,643,944)	(20,316,942)	(18,547,490)	(18,634,771)	(15,737,677)
$ -	$ -	$ -	$ -	$ -	$ -
$ 566,991,383	$ 539,620,556	$ 512,542,210	$ 490,228,479	$ 466,345,909	$ 443,554,247
4.65%	4.38%	3.96%	3.78%	4.00%	3.55%

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

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
University's proportion of the HIS net pension liability	0.703738320%	0.725279532%	0.741270524%	0.759945329%
University's proportionate share of the HIS net pension liability	$ 74,537,128	$ 88,966,439	$ 90,507,924	$ 85,030,277
University's covered payroll (2)	$ 248,319,284	$ 251,433,462	$ 252,048,838	$ 250,178,460
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	30.02%	35.38%	35.91%	33.99%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.81%	3.56%	3.00%	2.63%

(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

	2023 (1)	**2022** (1)	**2021** (1)	**2020** (1)
Contractually required HIS contribution	$ 4,851,333	$ 4,122,100	$ 4,173,795	$ 4,271,595
HIS contributions in relation to the contractually required HIS contribution	(4,851,333)	(4,122,100)	(4,173,795)	(4,271,595)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 292,248,988	$ 248,319,284	$ 251,433,462	$ 252,048,838
HIS contributions as a percentage of covered payroll	1.66%	1.66%	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.

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
	0.744056081%	0.734647326%	0.726023325%	0.706815530%	0.668866670%	0.662647783%
	$ 78,751,731	$ 78,551,882	$ 84,615,011	$ 72,084,066	$ 62,540,666	$ 57,692,202
	$ 238,582,447	$ 229,109,865	$ 220,376,032	$ 208,898,281	$ 194,843,828	$ 189,351,023
	33.01%	34.29%	38.40%	34.51%	32.10%	30.47%
	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
	$ 4,160,779	$ 4,035,035	$ 3,803,232	$ 3,647,462	$ 2,701,889	$ 2,291,312
	(4,160,779)	(4,035,035)	(3,803,232)	(3,647,462)	(2,701,889)	(2,291,312)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 250,178,460	$ 238,582,447	$ 229,109,865	$ 220,376,032	$ 208,898,281	$ 194,843,828
	1.66%	1.69%	1.66%	1.66%	1.29%	1.18%

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

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

Changes of Assumptions. The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor's Municipal Bond Index Rate as of the measurement date, as required under GASB Statement No. 75. The discount rate increased from 2.18 percent to 4.09 percent.

In addition, health care costs and premiums were updated based on plan experience and health care cost trend rates were updated based on the August 2022 Revenue Estimating Conference report. Refer to Note 12. to the financial statements for further detail.

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

Changes of Assumptions. In 2022, the long-term expected rate of return decreased from 6.80 percent to 6.70 percent.

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

Changes of Assumptions. In 2022, the municipal rate used to determine total pension liability increased from 2.16 percent to 3.54 percent. In addition, the demographic assumptions for the Special Risk Class were updated to reflect plan changes and the election assumption for vested terminated members was updated from 20 percent to 50 percent to reflect recent experience.

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Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 21, 2024, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the aggregate discretely presented component unit auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the blended component unit or that are reported on separately by those auditors who audited the financial statements of the blended component unit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying ***FINDING AND RECOMMENDATION*** section of this report as Financial Statement Finding No. 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

University's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the finding identified in our audit and included as University's Response in Financial Statement Finding No. 2023-001. The University's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with

Government Auditing Standards in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 21, 2024

FINDING AND RECOMMENDATION

SIGNIFICANT DEFICIENCY

FINANCIAL REPORTING

Finding Number	**2023-001**
Opinion Unit	University of South Florida
Financial Statements Account Title	Not Applicable
Adjustment Amounts	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable

Finding

University controls could be enhanced to ensure that procurement card (Pcard) purchases are only for allowable University purposes.

Criteria

Section 1010.01(5), Florida Statutes, requires each university to establish and maintain internal controls designed to, among other things, prevent and detect fraud, waste, and abuse.

University Trustee Policy 5-026, *Procurement Card Program*, permits University leadership to authorize the issuance of Pcards to University employees. University policies indicate that the Pcard Program enables more efficient and cost-effective business purchasing and streamlines the processes for small dollar orders and payments.

Among other things, the University *Pcard Guidelines Manual*:

- Establishes responsibilities of cardholders, supervisors, Pcard reconcilers, and the Pcard Services Department.
- Defines allowable University business purchases and prohibited purchases.
- Prohibits cardholders from allowing another individual to use the cardholder's Pcard or Pcard number.
- Requires a University mailing address be used for all billing and shipping addresses on invoices, except as granted by the cardholder's dean or director.
- Prohibits the cardholder from being a reconciler and approver of the cardholder's transactions.

Condition

According to University records for the 2022-23 fiscal year, 1,777 of the 19,394 University employees had Pcards. During that year 145,312 University Pcard transactions totaling $69.6 million were incurred, which represents 18 percent of the University's service, supplies, utilities, and communication expenses. Our discussions with University personnel and examination of University records identified control deficiencies related to the use of Pcards and the reconciliation and approval of Pcard charges. For example:

- Although cardholders are automatically notified of charges and required to provide receipts to the reconcilers, cardholders were not required to take any action in the P-card system. Consequently, cardholders did not acknowledge acceptance or denial of the charges in the system and reconcilers had the incompatible duties of adding required information to support charges in the Pcard system, obtaining and reconciling cardholder-provided receipts to the charges, obtaining cardholder and supervisor signatures on cardholder monthly Pcard activity statements, and approving charges for payment.

- The Pcard system has a mechanism that reconcilers use to document approval of Pcard charges; however, the system did not include a similar mechanism for cardholders and their supervisors. Cardholders and supervisors manually documented approval on monthly Pcard activity statements, increasing the risk for approvals to be physically altered.
- The University allowed cardholders to use a personal or another entity's online retailer account to make University Pcard purchases. University personnel indicated that, as of January 2024, procedures were implemented to detect and review charges on certain prohibited personal or other entity online retailer accounts.
- Although the financial institution that administers the University Pcard Program maintains information from certain vendors that specifically identifies what was purchased, the University did not request or obtain that information for analysis. University personnel indicated that, subsequent to the 2022-23 fiscal year, procedures were implemented to use such information from the financial institution when available.

Cause University policies and procedures did not always provide effective controls over the accountability for and use of Pcards.

Effect Deficiencies in controls over Pcard purchases increase the risk that Pcard errors and fraud will occur and not be promptly detected. In August 2023 the University terminated the employment of an employee who allegedly perpetrated Pcard fraud and, as of January 2024, the University investigation was ongoing.

Recommendation The University should continue efforts to enhance controls over the accountability for and use of University Pcards.

University Response The University of South Florida has enhanced internal controls over the accountability and use of University procurement cards (Pcards). Specifically, some of the purchasing activity that was processed on individual Pcards has transitioned to the eProcurement system which incorporates additional preventive controls for misuse. This transition will also limit the need for individual Pcards. In addition, procedures have been implemented to use purchasing data provided by some Pcard vendors to analyze transactions for propriety.

Notwithstanding USF's commitment to improve internal controls, this finding originated from misconduct in a single USF area that occurred due to the failure to follow established controls. These controls include Pcard transaction reconciliation, monthly statement approval processes, as well as additional compensating controls like monthly financial reconciliation. The underlying misconduct was discovered by the University and fully investigated by USF Internal Audit and disclosed to the Auditor General prior to their review and finding.