

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

UNIVERSITY OF SOUTH FLORIDA

For the Fiscal Year Ended
June 30, 2024



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2023-24 fiscal year, Ms. Rhea Law served as President of the University of South Florida and the following individuals served as Members of the Board of Trustees:

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Suryakanth Gottipati from 5-6-24 ^a

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Shilen Patel
Fredrick "Rick" Piccolo
Dr. Jenifer Jasinski Schneider ^b
Melissa Seixas

^a Student Body President.

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

Note: One Trustee position was vacant the entire period.

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

The team leader was Janet N. Case, CPA, 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
TABLE OF CONTENTS

	<u>Page No.</u>	
SUMMARY	i	
INDEPENDENT AUDITOR'S REPORT	1	
Report on the Audit of the Financial Statements	1	
Other Reporting Required by <i>Government Auditing Standards</i>	3	
MANAGEMENT'S DISCUSSION AND ANALYSIS	5	
BASIC FINANCIAL STATEMENTS		
Statement of Net Position	18	
Statement of Revenues, Expenses, and Changes in Net Position	21	
Statement of Cash Flows	22	
Notes to Financial Statements	24	
OTHER REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability	80	
Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	82	
Schedule of University Contributions – Florida Retirement System Pension Plan	82	
Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	84	
Schedule of University Contributions – Health Insurance Subsidy Pension Plan	84	
Notes to Required Supplementary Information	86	
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 <i>GOVERNMENT AUDITING STANDARDS</i>		87
Report on Internal Control Over Financial Reporting	87	
Report on Compliance and Other Matters	88	
Purpose of this Report	88	
PRIOR AUDIT FOLLOW-UP	89	

SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

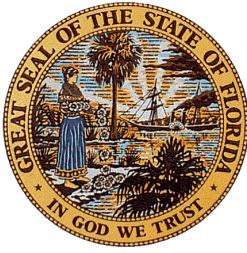
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.
- Determined whether corrective action was taken for the finding included in our report No. 2024-166.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the University of South Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2024, 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 the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the University of South Florida and of its aggregate discretely presented component units as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the blended and aggregate discretely presented component units. The financial statements of the University of South Florida Health Sciences Center Self-Insurance Program, a blended component unit, represents 3.1 percent, 1.6 percent, 5.6 percent, and 0.7 percent, respectively, of the assets, liabilities, net position, and revenues reported for the University of South Florida as of June 30, 2024. 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, 2024. 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*.

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 GAAS, 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 January 7, 2025, 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, CPA
Tallahassee, Florida
January 7, 2025

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, 2024, 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, 2024, and June 30, 2023.

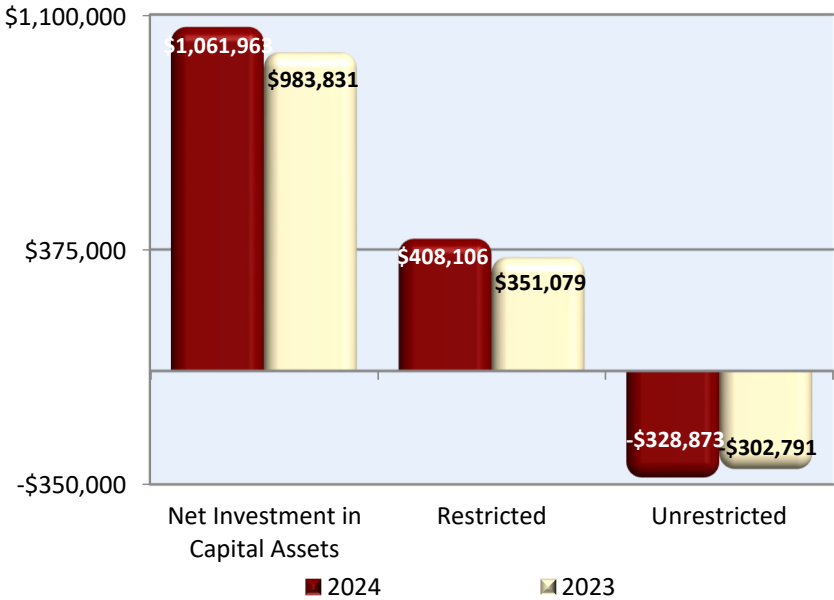
FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled \$3 billion at June 30, 2024. This balance reflects a \$178 million, or 6.2 percent, increase as compared to the 2022-23 fiscal year. Significant components of this increase were increases in accounts receivable, amounts due from component units, capital assets, investments, and other noncurrent assets, partially offset by a decrease in 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 \$68.9 million, or 3.8 percent, totaling \$1.9 billion at June 30, 2024. Significant components of this increase were increases in accounts payable, deposits payable, OPEB payable, and the net pension liability, partially offset by decreases in unearned revenue and deferred inflows related to OPEB. As a result, the University's net position increased by \$109.1 million, resulting in a year-end balance of \$1.1 billion.

The University's operating revenues totaled \$1.1 billion for the 2023-24 fiscal year, representing a 10.4 percent increase compared to the 2022-23 fiscal year, largely due to an increase in grants and contracts. Operating expenses totaled \$1.9 billion for the 2023-24 fiscal year, representing an increase of 13.6 percent as compared to the 2022-23 fiscal year due mainly to increases in compensation and employee benefits and services and supplies.

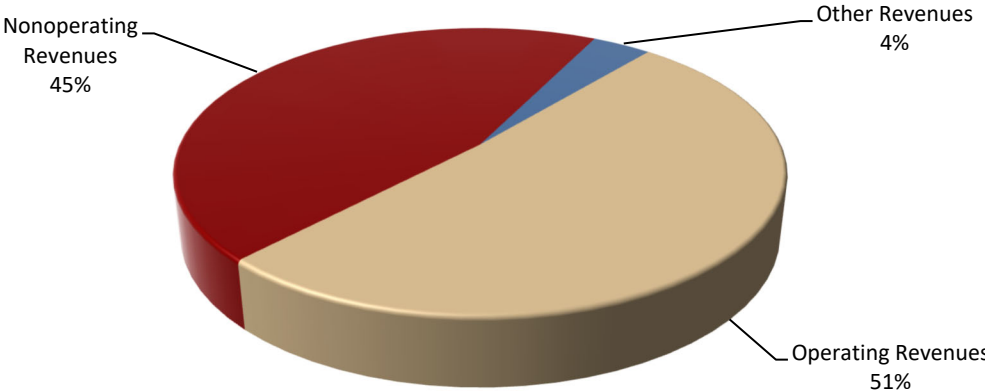
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2024, and June 30, 2023, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of University revenues by category for the 2023-24 fiscal year:

**Total Revenues
2023-24 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)

	2024	2023
Assets		
Current Assets	\$1,157,119	\$1,089,563
Capital Assets, Net	1,443,219	1,362,385
Other Noncurrent Assets	197,372	148,615
Total Assets	2,797,710	2,600,563
Deferred Outflows of Resources	251,684	270,838
Liabilities		
Current Liabilities	251,404	215,102
Noncurrent Liabilities	1,255,453	1,149,196
Total Liabilities	1,506,857	1,364,298
Deferred Inflows of Resources	401,341	474,984
Net Position		
Net Investment in Capital Assets	1,061,963	983,831
Restricted	408,106	351,079
Unrestricted	(328,873)	(302,791)
Total Net Position	\$1,141,196	\$1,032,119

Current assets for the University increased \$67.6 million between the two fiscal years due to a \$51.2 million increase in amounts due from component units and an \$26.3 million increase in accounts receivable. Due from component units primarily increased as a result of amounts due from the University Medical Service Association (UMSA) to fund the accrual of \$17.5 million of Medicaid payments to the Agency for Health Care Administration and a \$17.1 million increase for operational expenses initially incurred by the University as well as a \$15.8 million increase in due from USF Research Foundation related to transfers from the University for which costs have not yet been incurred. Accounts receivable increased due to increases in receivables for contracts and grants (\$12.9 million) and international student health insurance (\$12.5 million).

Net capital assets increased \$80.8 million due to increases in construction in progress (\$43.7 million), net buildings (\$30 million), and net furniture & equipment (\$7.1 million). The increase in construction in progress is largely from work completed on the Sarasota-Manatee campus Student Center and Residence Hall, Energy Service Company (ESCO) projects, and the Taneja College of Pharmacy. The increase in net buildings is due to the completion of the Judy Genshaft Honors College.

Other noncurrent assets increased \$48.8 million primarily due to increases in restricted investments (\$33.1 million), fixed asset purchases not yet placed in service (\$9.6 million), and prepayments for subscription-based information technology arrangements in the implementation stage (\$3.8 million). The increase in restricted investments is primarily attributable to unspent funding for the USF On-Campus Stadium and Sarasota-Manatee campus Student Center and Residence Hall.

Current liabilities increased \$36.3 million due to a \$28.7 million increase in accounts payable and a \$19.4 million increase in deposits payable, partially offset by an \$11.7 million decrease in unearned revenue. The increase in accounts payable was primarily due to the accrual of \$17.5 million for Medicaid payments to the Agency for Health Care Administration and a \$6.7 million increase in payables for repair, maintenance and minor renovations. The increase in deposits payable is related to the increase in receivables for international student health insurance as well as amounts owed to the bank for expenses charged to purchasing cards. The decrease in unearned revenue is largely attributable to an \$8.1 million decrease in State contract and grant unearned revenue attributable to cybersecurity grants and a \$2.5 million decrease in Federal contract and grant unearned revenue.

Noncurrent liabilities increased \$106.3 million primarily due to increases in noncurrent portions of the net pension liability (\$76.4 million) and the OPEB liability (\$22.3 million). The increase in the net pension liability is attributable to a \$49.3 million increase in the Health Insurance Subsidy (HIS) Plan liability and a \$27.1 million increase in the Florida Retirement System (FRS) Pension Plan liability. For both plans, the University's proportionate share of the liabilities increased and Senate Bill 7024 increased future benefits. In addition to service and interest costs exceeding the benefit payments received by the plan, the OPEB liability increased as a result of increased line-of-duty disability rates for the Special Risk class, updated DROP entry rates, and the extension of the DROP period from 5 to 8 years for law enforcement officers.

Deferred inflows of resources decreased \$73.6 million largely due to a \$65.9 million decrease in deferred inflows related to OPEB. The amortization of prior year deferred inflows exceeded current year additions to deferred inflows.

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 2023-24 and 2022-23 fiscal years:

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

(In Thousands)

	<u>2023-24</u>	<u>2022-23</u>
Operating Revenues	\$ 1,052,671	\$ 953,867
Less, Operating Expenses	<u>1,862,853</u>	<u>1,639,359</u>
Operating Loss	(810,182)	(685,492)
Net Nonoperating Revenues	<u>842,424</u>	<u>720,392</u>
Income Before Other Revenues	32,242	34,900
Other Revenues	<u>76,835</u>	<u>165,940</u>
Net Increase In Net Position	<u>109,077</u>	<u>200,840</u>
Net Position, Beginning of Year	1,032,119	825,576
Adjustment to Beginning Net Position (1)	<u>-</u>	<u>5,703</u>
Net Position, Beginning of Year, as Restated	<u>1,032,119</u>	<u>831,279</u>
Net Position, End of Year	<u>\$ 1,141,196</u>	<u>\$ 1,032,119</u>

(1) The adjustment to beginning net position is an error correction related to depreciation expense.

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 2023-24 and 2022-23 fiscal years:

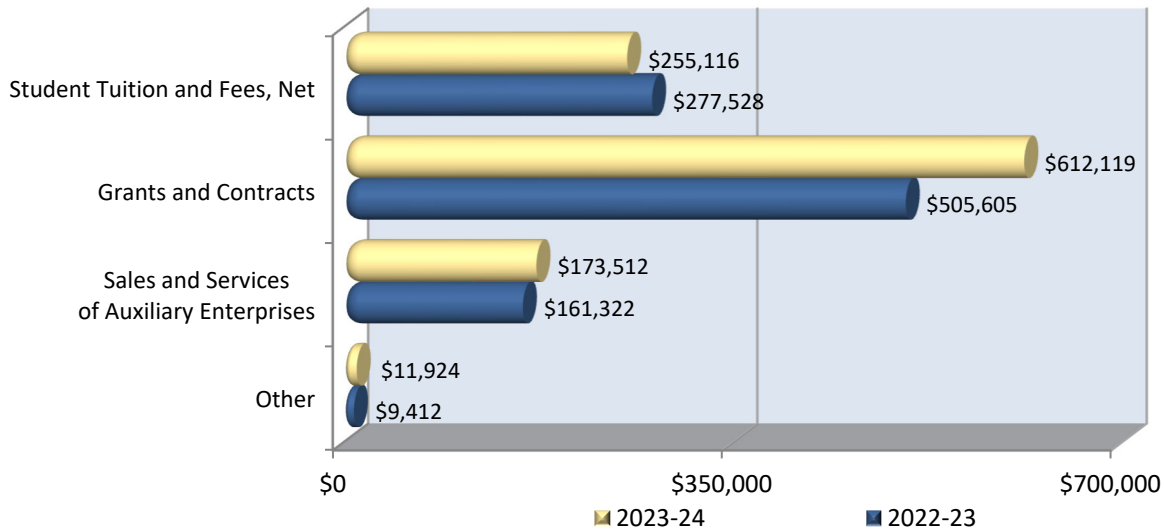
**Operating Revenues
For the Fiscal Years**

(In Thousands)

	<u>2023-24</u>	<u>2022-23</u>
Student Tuition and Fees, Net	\$ 255,116	\$ 277,528
Grants and Contracts	612,119	505,605
Sales and Services of Auxiliary Enterprises	173,512	161,322
Other	<u>11,924</u>	<u>9,412</u>
Total Operating Revenues	<u>\$1,052,671</u>	<u>\$ 953,867</u>

The following chart presents the University's operating revenues for the 2023-24 and 2022-23 fiscal years:

Operating Revenues
(In Thousands)



University operating revenues increased by \$98.8 million, or 10.4 percent. This increase is primarily due to a \$106.5 million increase in grants and contracts, \$35.3 million of which is from Federal grants and contracts, \$14.8 million from State grants and contracts, and \$56.4 million from nongovernmental grants and contracts. The increase in Federal grants and contracts is primarily attributable to increases in Federal funds from several sponsors, including the National Institute of Diabetes and Digestive and Kidney Diseases (\$13.6 million), National Institutes of Health (\$7.7 million), National Science Foundation (\$3.9 million), Office of Naval Research (\$2.6 million), Florida Department of Education (\$2.5 million), Florida Department of Health (\$2.3 million), and the U.S. Department of Education (\$1.9 million). The increase in State grants and contracts is primarily attributable to increases in State funds from several sponsors, including the Florida Department of Management Services (\$5.6 million), Florida Department of Education (\$3.8 million), Florida Department of Health (\$2 million), and the Florida Department of Environmental Protection (\$1.7 million). The increase in nongovernmental grants and contracts is largely attributable to a \$35.1 million increase in funding from UMSA for Medicaid payments to the Agency for Health Care Administration and a \$4.7 million increase in transfers from UMSA for Graduate Medical Education. In addition, there was an \$11.7 million increase in nongovernmental grants revenue across many different sponsors. The increase in grants and contracts was partially offset by a \$22.4 million decrease in net student tuition and fees. The decrease in net student tuition and fees is primarily due to an increase in scholarship allowance as more University resources were provided as financial aid and applied to tuition charges.

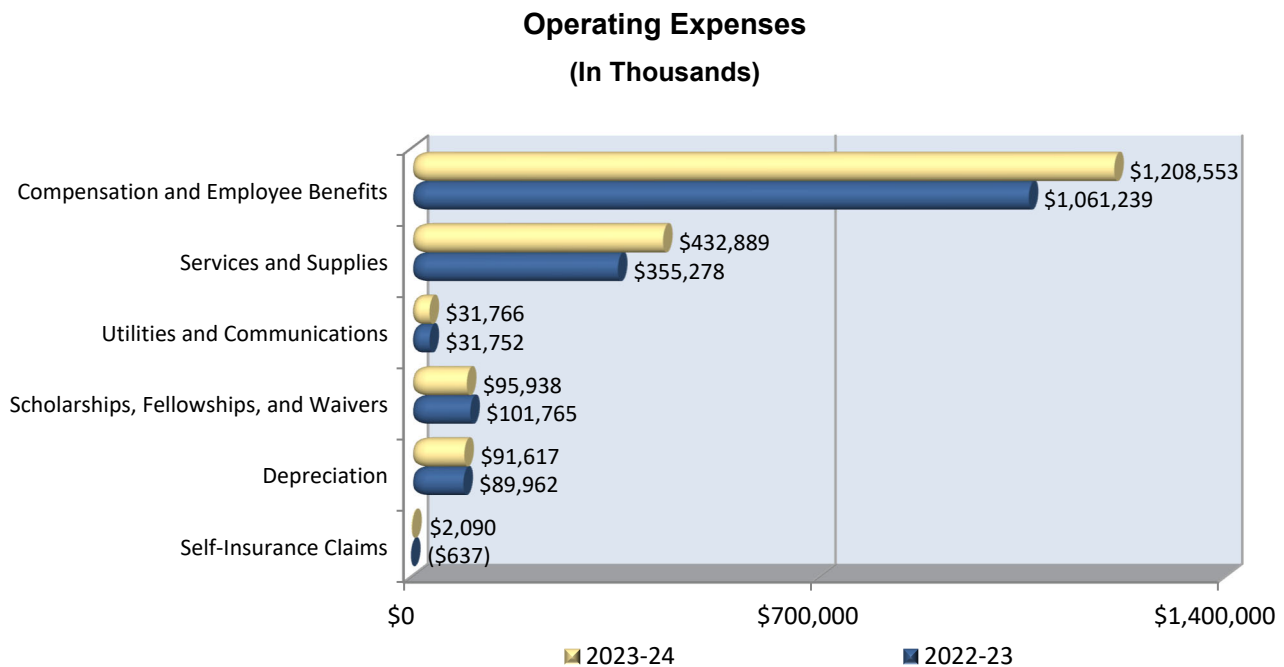
Operating Expenses

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 2023-24 and 2022-23 fiscal years:

Operating Expenses For the Fiscal Years		
(In Thousands)		
	<u>2023-24</u>	<u>2022-23</u>
Compensation and Employee Benefits	\$1,208,553	\$1,061,239
Services and Supplies	432,889	355,278
Utilities and Communications	31,766	31,752
Scholarships, Fellowships, and Waivers	95,938	101,765
Depreciation	91,617	89,962
Self-Insurance Claims	2,090	(637)
Total Operating Expenses	<u><u>\$1,862,853</u></u>	<u><u>\$1,639,359</u></u>

The following chart presents the University's operating expenses for the 2023-24 and 2022-23 fiscal years:



Total operating expenses increased by \$223.5 million, or 13.6 percent, resulting primarily from increases in compensation and employee benefits (\$147.3 million) and services and supplies (\$77.6 million). The increase in compensation and employee benefits was mainly attributable to a \$68.1 million increase in wages and a \$25.9 million increase in benefits. Additionally, the expense component of GASB Statement No. 68, *Pensions*, accounting increased \$62.3 million. The increase in services and supplies was primarily due to increases in grants subcontracts (\$26.5 million), repair, maintenance, and minor renovations (\$25.2 million), food and dining services (\$7.7 million), travel (\$3.4 million), computer services (\$3.4 million), and advertising (\$3 million).

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2023-24 and 2022-23 fiscal years:

	2023-24	2022-23
State Noncapital Appropriations	\$613,221	\$527,578
Federal and State Student Financial Aid	158,872	153,985
Noncapital Grants and Donations	52,944	37,929
Investment Income	72,348	31,258
Other Nonoperating Revenues	3,988	3,668
Gain (Loss) on Disposal of Capital Assets	29,888	(1,393)
Interest on Capital Asset-Related Debt	(13,689)	(12,096)
Other Nonoperating Expenses	<u>(75,148)</u>	<u>(20,537)</u>
Net Nonoperating Revenues	<u>\$842,424</u>	<u>\$720,392</u>

Total net nonoperating revenues increased by \$122 million, or 16.9 percent. The major components of this increase were increases in State noncapital appropriations (\$85.6 million), investment income (\$41.1 million), gains/losses on disposal of capital assets (\$31.3 million), and noncapital grants and donations (\$15 million), partially offset by an increase in other nonoperating expenses (\$54.6 million). The increase in State noncapital appropriations is primarily due to an \$83.2 million increase in general revenue appropriations. The increase in investment income was primarily due to improved unrealized investment performance of bond mutual funds (\$15.7 million), equity mutual funds (\$8 million), and USF Health Sciences Center Self-Insurance Program investments (\$2.5 million) as well as increases in realized returns from money market mutual funds (\$3.2 million), bond mutual funds (\$7.5 million), and USF Health Sciences Center Self-Insurance Program investments (\$2.2 million). The gain on disposal of capital assets is attributable to the sale of Educational Broadband Service licenses. The increase in noncapital grants and donations is related to the increase in amounts due from USF Research Foundation for University transfers for which costs have not yet been incurred. The increase in other nonoperating expenses was primarily due to an increase in payments to the Agency for Health Care Administration for Medicaid (\$35.1 million) as well as increases in transfers to USF Research Foundation (\$11 million) and UMSA (\$5.5 million).

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 2023-24 and 2022-23 fiscal years:

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

	2023-24	2022-23
State Capital Appropriations	\$30,847	\$115,107
Capital Grants, Contracts, Donations, and Fees	45,988	50,833
Total	\$76,835	\$165,940

Total other revenues decreased by \$89.1 million, or 53.7 percent, primarily due to an \$84.3 million decrease in State capital appropriations. State capital appropriations decreased due to the generous amount of 2022-23 fiscal year appropriations received for deferred maintenance and College of Nursing expansion.

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 2023-24 and 2022-23 fiscal years:

**Condensed Statement of Cash Flows
For the Fiscal Years
(In Thousands)**

	2023-24	2022-23
Cash Provided (Used) by:		
Operating Activities	\$(702,359)	\$(537,754)
Noncapital Financing Activities	792,936	690,480
Capital and Related Financing Activities	(133,775)	(78,326)
Investing Activities	37,769	(88,466)
Net Decrease in Cash and Cash Equivalents	(5,429)	(14,066)
Cash and Cash Equivalents, Beginning of Year	80,164	94,230
Cash and Cash Equivalents, End of Year	\$ 74,735	\$ 80,164

Major sources of funds came from State noncapital appropriations (\$613.2 million), Federal Direct Student Loan receipts (\$181.3 million), student tuition and fees (\$260.1 million), grants and contracts (\$571.3 million), sales and services of auxiliary enterprises (\$170.9 million), and Federal and State student financial aid (\$158.9 million), and proceeds from sales and maturities of investments (\$129.5 million). Major uses of funds were for payments made to and on behalf of employees totaling \$1.2 billion, payments

to suppliers totaling \$462.7 million, disbursements to students for Federal Direct Student Loans totaling \$181.3 million, payments to and on behalf of students for scholarships totaling \$95.9 million, purchase or construction of capital assets totaling \$164 million, and purchases of investments totaling \$131.5 million.

Net cash used by operating activities increased by \$164.6 million. Significant changes in major uses of cash within operating activities were an \$86.5 million increase in payments to employees and a \$76.8 million increase in payments to suppliers for goods and services. 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, repair, maintenance, and minor renovations, food and dining services, travel, computer services, and advertising.

Net cash provided by noncapital financing activities increased by \$102.5 million. Significant contributors to this increase were an \$85.6 million increase in cash provided by State noncapital appropriations and a \$30.4 million increase in other nonoperating receipts, partially offset by a \$17.8 million decrease in operating subsidies and transfers. Increases in general revenue and lottery appropriations were responsible for the increase in cash provided by State noncapital appropriations. Other nonoperating receipts increased due to the sale of Educational Broadband Service licenses. Operating subsidies and transfers shifted from a \$2.9 million source of cash in the 2022-23 fiscal year to \$14.9 million use of cash in the 2023-24 fiscal year primarily due to decreases in UMSA convenience fund balances.

Net cash used by capital and related financing activities increased by \$55.4 million. This increase was primarily due to a \$50.6 million increase in cash used for the purchase or construction of capital assets, an \$18.8 million decrease in proceeds from capital debt and leases, partially offset by a \$12.7 million increase in cash provided by State capital appropriations. The increase in cash used for the purchase or construction of capital assets is largely attributable to work completed on the Sarasota-Manatee campus Student Center and Residence Hall, ESCO projects, and the Taneja College of Pharmacy as well as an increase in fixed asset purchases not yet placed in service. Proceeds from capital debt and leases decreased because the University entered two additional ESCO equipment purchase agreements during the 2022-23 fiscal year. Cash provided by State capital appropriations increased primarily due to drawdowns for deferred maintenance.

Net cash provided by investing activities increased by \$126.2 million largely due to increases in proceeds from sales and maturities of investments (\$124.2 million) and cash provided by investment income (\$17.4 million), partially offset by a \$15.4 million increase in purchases of investments. The increase in proceeds was primarily attributable to the sale of money market mutual funds. 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. The increase in purchases of investments was due to increased bond mutual fund purchases largely financed by the proceeds of money market fund sales.

CAPITAL ASSETS, CAPITAL COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2024, the University had \$2.6 billion in capital assets, less accumulated depreciation of \$1.2 billion, for net capital assets of \$1.4 billion. Depreciation charges for the current fiscal year totaled \$91.6 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)

	2024	2023
Land	\$ 21,931	\$ 21,931
Construction in Progress	146,097	102,368
Buildings	1,105,547	1,075,534
Infrastructure and Other Improvements	33,522	35,115
Furniture and Equipment	77,424	70,334
Library Resources	20,490	17,930
Subscription-Based Information Technology Arrangements	13,202	11,396
Works of Art and Historical Treasures	1,208	1,190
Other Capital Assets	1,576	1,734
Right-to-Use Leased Assets	22,222	24,853
Capital Assets, Net	\$1,443,219	\$1,362,385

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

Capital Commitments

The University's construction commitments at June 30, 2024, are as follows:

	Amount (In Thousands)
Total Committed	\$ 631,890
Completed to Date	(146,097)
Balance Committed	\$ 485,793

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

Debt Administration

As of June 30, 2024, the University had \$285.1 million in outstanding capital improvement debt payable, installment purchases payable, right-to-use leases payable, and subscription arrangements liability, representing an increase of \$140.6 thousand, or 0.05 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)

	<u>2024</u>	<u>2023</u>
Capital Improvement Debt	\$ 2,272	\$ 4,210
Installment Purchases	254,832	246,495
Right-to-Use Leases	23,123	25,350
Subscription Arrangements	<u>4,865</u>	<u>8,896</u>
Total	<u>\$285,092</u>	<u>\$284,951</u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. The budget that the Florida Legislature adopted for the 2024-25 fiscal year provided an 11.3 percent increase for State universities. The budget incorporated an increase of \$50,000,000 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 Mariya Galchenko, Associate Vice President and Controller, University of South Florida, 4202 East Fowler Avenue, SVC1088, Tampa, Florida 33620.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF SOUTH FLORIDA
A Component Unit of the State of Florida
Statement of Net Position
June 30, 2024

	<u>University</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 69,582,485	\$ 36,903,154
Investments	786,377,346	122,680,356
Accounts Receivable, Net	114,104,883	139,919,123
Loans, Leases, and Notes Receivable, Net	344,950	7,079,414
Leases Receivable from University	-	4,016,973
Leases Receivable from Component Units	-	65,830
Due from State	119,658,631	-
Due from University	-	58,049
Due from Component Units	66,647,091	366,687
Inventories	286,695	2,813,748
Other Current Assets	117,117	21,126,579
Total Current Assets	1,157,119,198	335,029,913
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,152,124	9,934,643
Restricted Investments	155,377,374	1,022,181,050
Loans, Leases, and Notes Receivable, Net	7,101,864	40,376,583
Leases Receivable from University	-	17,349,084
Leases Receivable from Component Units	-	180,126
Depreciable Capital Assets, Net	1,237,654,743	130,813,081
Nondepreciable Capital Assets	170,140,158	34,915,476
Right-to-Use Leases and SBITA, Net	35,424,253	25,805,930
Other Noncurrent Assets	29,740,447	318,211,865
Total Noncurrent Assets	1,640,590,963	1,599,767,838
Total Assets	2,797,710,161	1,934,797,751
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	109,707,208	-
Pensions	141,976,700	-
Interest Rate Swap Agreement	-	2,502,077
Deferred Amount on Debt Refunding	-	605,712
Total Deferred Outflows of Resources	251,683,908	3,107,789
LIABILITIES		
Current Liabilities:		
Accounts Payable	57,325,658	25,425,266
Construction Contracts Payable	11,026,351	-
Salary and Wages Payable	35,840,646	5,266,039
Deposits Payable	25,777,407	109,296
Due to University	-	66,647,091
Due to Component Units	58,049	366,687
Unearned Revenue	71,903,563	2,999,715
Other Current Liabilities	141,907	17,587,669
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	6,850,557
Certificates of Participation Payable	-	10,805,000
Capital Improvement Debt Payable	1,123,479	-
Loans and Notes Payable	-	708,380
Installment Purchases Payable	14,254,582	5,372,150
Right-to-Use Leases Payable	555,408	2,734,608
Right-to-Use Leases Payable to Component Units	4,016,973	65,830
Subscription Arrangements Liability	3,350,029	1,745,260
Estimated Insurance Claims Payable	904,500	-
Compensated Absences Payable	14,243,955	-
Dining Facility Fee Payable	29,598	-
Other Postemployment Benefits Payable	10,851,300	-
Total Current Liabilities	251,403,405	146,683,548

	<u>University</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	285,987,152
Certificates of Participation Payable	-	225,548,743
Capital Improvement Debt Payable	1,148,479	-
Loans and Notes Payable	-	4,392,502
Installment Purchases Payable	240,577,366	67,651,615
Right-to-Use Leases Payable	1,201,701	14,415,310
Right-to-Use Leases Payable to Component Units	17,349,084	180,126
Subscription Arrangements Liability	1,515,220	6,709,735
Estimated Insurance Claims Payable	22,502,305	-
Compensated Absences Payable	103,303,113	-
Federal Advance Payable	329,568	-
Other Noncurrent Liabilities	-	8,065,889
Dining Fee Facility Payable	4,551,013	-
Other Postemployment Benefits Payable	406,279,463	-
Net Pension Liability	456,695,951	-
Total Noncurrent Liabilities	<u>1,255,453,263</u>	<u>612,951,072</u>
Total Liabilities	<u>1,506,856,668</u>	<u>759,634,620</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	255,091,708	-
Pensions	20,147,013	-
Deferred Service Concession Arrangement Receipts	103,682,700	-
Leases	22,420,114	66,804,507
Irrevocable Split-Interest Agreements	-	24,673,494
Other	-	433,936
Total Deferred Inflows of Resources	<u>401,341,535</u>	<u>91,911,937</u>
NET POSITION		
Net Investment in Capital Assets	1,061,962,939	77,831,235
Restricted for Nonexpendable:		
Endowment	-	423,465,741
Restricted for Expendable:		
Debt Service	1,707,905	3,268,084
Loans	5,546,280	-
Capital Projects	173,439,294	-
Other	227,412,613	137,801,200
Endowment	-	301,431,543
Unrestricted	<u>(328,873,165)</u>	<u>142,561,180</u>
TOTAL NET POSITION	<u>\$ 1,141,195,866</u>	<u>\$ 1,086,358,983</u>

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

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UNIVERSITY OF SOUTH FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2024

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$183,411,023 (\$3,226,176 Pledged for the Parking System Revenue Bonds)	\$ 255,115,764	\$ -
Federal Grants and Contracts	286,646,820	9,847,866
State and Local Grants and Contracts	53,996,064	831,859
Nongovernmental Grants and Contracts	271,476,403	134,498,934
Sales and Services of Auxiliary Enterprises (\$9,516,394 Pledged for Parking System Revenue Bonds)	173,511,661	-
Sales and Services of Component Units	-	290,236,876
Royalties and Licensing Fees	-	4,175,098
Gifts and Donations	-	62,621,275
Interest on Loans and Notes Receivable	60,423	-
Other Operating Revenues	11,864,260	31,830,304
Total Operating Revenues	1,052,671,395	534,042,212
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	1,208,552,718	381,799,478
Services and Supplies	432,889,461	165,511,538
Utilities and Communications	31,765,926	3,522,288
Scholarships, Fellowships, and Waivers	95,937,739	11,910,116
Depreciation	91,617,488	14,070,625
Self-Insurance Claims	2,089,719	-
Total Operating Expenses	1,862,853,051	576,814,045
Operating Loss	(810,181,656)	(42,771,833)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	613,220,660	-
Federal and State Student Financial Aid	158,872,064	-
Noncapital Grants and Donations	52,944,178	-
Investment Income	72,347,751	101,435,477
Other Nonoperating Revenues	3,987,437	26,521,801
Gain on Disposal of Capital Assets	29,888,362	400
Interest on Capital Asset-Related Debt	(13,688,898)	(23,646,882)
Other Nonoperating Expenses	(75,148,191)	(7,595,180)
Net Nonoperating Revenues	842,423,363	96,715,616
Income Before Other Revenues	32,241,707	53,943,783
Additions to Permanent Endowments	-	19,527,180
State Capital Appropriations	30,847,570	-
Capital Grants, Contracts, Donations, and Fees	45,987,580	-
Increase in Net Position	109,076,857	73,470,963
Net Position, Beginning of Year	1,032,119,009	1,012,888,020
Net Position, End of Year	\$ 1,141,195,866	\$ 1,086,358,983

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, 2024

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 260,064,734
Grants and Contracts	571,322,699
Sales and Services of Auxiliary Enterprises	170,876,931
Interest on Loans Receivable	79,231
Payments to Employees	(1,155,406,113)
Payments to Suppliers for Goods and Services	(462,694,418)
Payments to Students for Scholarships and Fellowships	(95,937,739)
Payments on Self-Insurance Claims and Expenses	(1,629,855)
Loans Issued to Students	(202,860)
Collection on Loans to Students	759,488
Other Operating Receipts	10,408,686
	(702,359,216)
Net Cash Used by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	613,220,660
Federal and State Student Financial Aid	158,872,064
Noncapital Grants, Contracts, and Donations	35,116,494
Federal Direct Loan Program Receipts	181,342,303
Federal Direct Loan Program Disbursements	(181,342,303)
Operating Subsidies and Transfers	(14,903,392)
Net Change in Funds Held for Others	3,466,667
Other Nonoperating Receipts	30,591,757
Other Nonoperating Disbursements	(33,428,195)
	792,936,055
Net Cash Provided by Noncapital Financing Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	33,991,807
Capital Grants, Contracts, Donations and Fees	35,377,550
Purchase or Construction of Capital Assets	(163,997,459)
Principal Paid on Capital Debt and Leases	(25,544,522)
Interest Paid on Capital Debt and Leases	(13,738,929)
Principal Received on Capital Debt and Leases	18,754
Interest Received on Capital Debt and Leases	117,746
	(133,775,053)
Net Cash Used by Capital and Related Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	129,461,428
Purchases of Investments	(131,457,097)
Investment Income	39,764,254
	37,768,585
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	(5,429,629)
Cash and Cash Equivalents, Beginning of Year	80,164,238
	\$ 74,734,609

	<u>University</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (810,181,656)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	91,617,488
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Receivables, Net	(30,442,697)
Loans and Notes Receivable	557,028
Inventories	(35,557)
Other Assets	(2,377,750)
Accounts Payable	6,009,549
Salaries and Wages Payable	(2,805,217)
Deposits Payable	44,479
Compensated Absences Payable	7,793,543
Unearned Revenue	(11,682,859)
Estimated Insurance Claims Payable	459,864
Other Postemployment Benefits Payable	23,286,351
Net Pension Liability	76,398,264
Deferred Outflows of Resources Related to Other Postemployment Benefits	26,323,632
Deferred Inflows of Resources Related to Other Postemployment Benefits	(65,943,572)
Deferred Outflows of Resources Related to Pensions	(7,169,675)
Deferred Inflows of Resources Related to Pensions	<u>(4,210,431)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (702,359,216)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND	
CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment	
income on the statement of revenues, expenses, and changes in net position, but	
are not cash transactions for the statement of cash flows.	\$ 32,583,496
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.	\$ (350,278)
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.	\$ 10,026,991

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.

Health Services Support Organization.

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

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

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

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

recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's blended and discretely presented component units use the economic resources measurement focus and the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The University's discretely presented component units follow GASB standards of accounting and financial reporting. The University of South Florida Health Sciences Center Insurance Company (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 advance 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. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (470,424,304)
Auxiliary Funds	<u>141,551,139</u>
Total	<u>\$ (328,873,165)</u>

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

<u>Description</u>	<u>University</u>
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources	\$ 568,508,362
Amount Expected to be Financed in Future Years:	
Other Postemployment Benefits Payable and Related Deferred Outflows of Resources and Deferred Inflows of Resources	\$(562,515,263)
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>(334,866,264)</u>
Total Amount Expected to be Financed in Future Years	<u>(897,381,527)</u>
Total Unrestricted Net Position	<u>\$(328,873,165)</u>

3. Investments

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

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

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

The University's recurring fair value measurements as of June 30, 2024, are valued using the following valuation techniques and inputs:

United States Treasury Securities, Obligations of United States Government Agencies and Instrumentalities, 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, 2024, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
SBA Debt Service Accounts	\$ 14,052	\$ 14,052	\$ -	\$ -
United States Treasury Securities	27,816,297	-	27,816,297	-
Obligations of United States Government Agencies and Instrumentalities	376,192	-	376,192	-
Bonds and Notes	23,423,653	-	23,423,653	-
Stocks and Other Equity Securities	25,850,208	25,850,208	-	-
Mutual Funds				
Equities	132,556,930	132,556,930	-	-
Bonds	633,094,553	633,094,553	-	-
Money Market	98,622,835	98,622,835	-	-
Total investments by fair value level	941,754,720	\$ 890,138,578	\$ 51,616,142	\$ -
Total investments	\$ 941,754,720			

State Board of Administration Debt Service Accounts.

The University reported investments totaling \$14,052 at June 30, 2024, 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, 2024, are reported at fair value as follows:

<u>Investment Type</u>	<u>University of South Florida Foundation, Inc.</u>	<u>University of South Florida Alumni Association, Inc.</u>	<u>University of South Florida Research Foundation, Inc.</u>	<u>USF Financing Corporation</u>	<u>University Medical Service Association, Inc.</u>	<u>USF Health Services Support Organization, Inc.</u>	<u>Total</u>
United States Government and Agency Securities	\$ -	\$ -	\$ -	\$ 198,851,701	\$ -	\$ -	\$ 198,851,701
Stocks and Other							
Equity Securities	-	-	431,523	-	-	77,088	508,611
Partnership Investments	129,519,212	1,917,355	9,358,765	-	-	-	140,795,332
Mutual Funds:							
Equities	462,951,643	6,738,614	23,582,013	-	11,656,271	-	504,928,541
Bonds	174,952,362	2,124,813	7,058,444	-	13,559,731	-	197,695,350
Money Market	30,977,937	251,229	1,354,967	46,452,635	-	-	79,036,768
Beneficial Interest Assets	23,045,103	-	-	-	-	-	23,045,103
Total Component Units' Investments	\$ 821,446,257	\$ 11,032,011	\$ 41,785,712	\$ 245,304,336	\$ 25,216,002	\$ 77,088	\$ 1,144,861,406

The component units' recurring fair value measurement as of June 30, 2024, are valued using the following valuation techniques and inputs:

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
United States Government and Agency Securities	\$ 198,851,701	\$ -	\$ 198,851,701	\$ -
Stocks and Other Equity Securities	431,523	431,523	-	-
Partnership Investments	781,590	-	-	781,590
Mutual Funds				
Equities	163,717,655	163,717,655	-	-
Bonds	83,616,841	83,616,841	-	-
Money Market	79,036,768	79,036,768	-	-
Beneficial Interest Assets	23,045,103	-	-	23,045,103
Total investments by fair value level	549,481,181	\$ 326,802,787	\$ 198,851,701	\$ 23,826,693
Investments measured at the net asset value (NAV)				
Partnership Investments				
Private Equity	63,595,404			
Fixed Income	28,992,055			
Real Asset	47,426,283			
Mutual Funds				
Equities	341,210,886			
Bonds	114,078,509			
Total investments measured at the NAV	595,303,137			
Total investments measured at fair value	1,144,784,318			
Other				
Equity Method Investment	77,088			
Total Other Investments	77,088			
Total Component Unit Investments	\$ 1,144,861,406			

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

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Partnership Investments:				
Private Equity	\$ 63,595,404	\$ 44,231,312	NA	NA
Fixed Income	28,992,055	11,522,516	Monthly	3-5 days
Real Asset	47,426,283	20,695,871	NA	NA
Mutual Funds:				
Equities	341,210,886	-	Daily/Monthly	2-30 days
Bonds	114,078,509	-	Weekly	0-7 days
Total investments measured at the NAV	\$595,303,137	\$ 76,449,699		

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 unit investments in debt securities and mutual funds at June 30, 2024:

University Debt Investment Maturity and Quality Ratings

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Credit Quality Rating</u>		<u>Fair Value</u>
		<u>Moody's</u>	<u>Standard and Poor's</u>	
United States Treasury Securities (2) Obligations of United States Government Agencies and Instrumentalities (2)	3.87 Years	(1)	(1)	\$ 27,816,297
Bonds and Notes (2)	4.15 Years	Aaa - Baa1	AA+ - BBB	23,423,653
Bond Mutual Funds (3)	2.9 Years	Not Rated	Not Rated	633,094,553
Money Market Mutual Funds (2)	31 Days	Aaa-mf	AAAm	1,681,559
Money Market Mutual Funds (3)	43 Days	Aaa-mf	AAAm	96,941,276
Total				<u>\$783,333,530</u>

(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

<u>Investment Type</u>	<u>Investment Maturities (In Years)</u>				
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Partnership Fixed Income	\$ 28,992,055	\$ 28,992,055	\$ -	\$ -	\$ -
Mutual Funds:					
Bonds	197,695,350	95,742,434	101,914,976	37,940	-
Money Market	79,036,768	79,036,768	-	-	-
Total	<u>\$305,724,173</u>	<u>\$203,771,257</u>	<u>\$101,914,976</u>	<u>\$ 37,940</u>	<u>\$ -</u>

The \$198,851,701 of USF Financing Corporation investments in United States Government and Agency Securities had a weighted average maturity of 1.98 years.

Discretely Presented Component Units Quality Ratings (1)

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Less Than A or Not Rated</u>
Partnership Fixed Income	\$ 28,992,055	\$ -	\$ -	\$ -	\$ 28,992,055
Mutual Funds:					
Bonds	197,695,350	11,203,322	66,854,106	11,620,240	108,017,682
Money Market	79,036,768	46,452,635	-	-	32,584,133
Total	\$305,724,173	\$ 57,655,957	\$ 66,854,106	\$ 11,620,240	\$169,593,870

(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, 2024.

4. Receivables

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2024, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 77,252,584
Student Tuition and Fees	8,614,115
Other	28,238,184
Total Accounts Receivable	\$114,104,883

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 \$117,746, respectively, were recognized during the 2023-24 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 \$20,292,166 and \$454,466, respectively, at June 30, 2024.

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

5. Due From State

The amount due from State consists of \$24,632,218 of Public Education Capital Outlay, \$15,636,369 from Capital Improvement Fee Trust Fund allocations, and \$79,390,044 from General Revenue allocations due from the State to the University for construction of University facilities.

6. Due From and To Component Units

The \$66,647,091 reported as due from component units consists of amounts owed to the University from the University Medical Service Association, Inc. (\$32,768,990) for Medicaid payments to the Agency for Health Care Administration and salaries and operating expenses at the University; from the University of South Florida Research Foundation, Inc. (\$25,455,195) 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. (\$1,570,826), primarily for scholarships and construction, salary, and operating expense support; from the USF Institute of Applied Engineering, Inc. (\$3,678,709) for salaries and other operating expenses at the University; from the USF Health Professions Conferencing Corporation (\$1,005,240) for wages and program residuals, net of service invoices payable owed by the University; from the USF Financing Corporation (\$2,073,059) for interest earned on project-related funds, net of student housing, athletics and parking revenues owed by the University; and from Sun Dome, Inc. (\$95,072) for merchandise sales.

The \$58,049 reported as due to component units is an amount owed to the University of South Florida Alumni Association, Inc. for deposits to cover payroll expenses.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2024, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 21,931,206	\$ -	\$ -	\$ 21,931,206
Works of Art and Historical Treasures	950,144	51,750	64,175	937,719
Other Capital Assets	1,173,750	-	-	1,173,750
Construction in Progress	102,367,542	130,697,208	86,967,267	146,097,483
Total Nondepreciable Capital Assets	\$ 126,422,642	\$ 130,748,958	\$ 87,031,442	\$ 170,140,158
Depreciable Capital Assets:				
Buildings	\$ 1,916,557,550	\$ 83,936,621	\$ -	\$ 2,000,494,171
Infrastructure and Other Improvements	95,982,503	2,356,196	-	98,338,699
Furniture and Equipment	244,378,692	24,921,100	7,208,870	262,090,922
Library Resources	38,904,100	6,540,775	-	45,444,875
Works of Art and Historical Treasures	702,413	62,200	180,000	584,613
Other Capital Assets	9,696,902	92,757	192,031	9,597,628
Subscription-Based Information				
Technology Arrangements	15,486,435	8,031,127	-	23,517,562
Right-to-Use Leased Equipment	1,624,614	86,974	70,424	1,641,164
Right-to-Use Leased Space	34,436,728	2,992,750	-	37,429,478
Total Depreciable Capital Assets	2,357,769,937	129,020,500	7,651,325	2,479,139,112
Less, Accumulated Depreciation:				
Buildings	841,023,179	53,924,513	-	894,947,692
Infrastructure and Other Improvements	60,867,592	3,949,661	-	64,817,253
Furniture and Equipment	174,044,435	17,658,073	7,035,859	184,666,649
Library Resources	20,974,426	3,980,438	-	24,954,864
Works of Art and Historical Treasures	462,543	32,099	180,000	314,642
Other Capital Assets	9,136,989	137,015	78,939	9,195,065
Subscription-Based Information				
Technology Arrangements	4,090,196	6,224,919	-	10,315,115
Right-to-Use Leased Equipment	544,360	290,601	70,424	764,537
Right-to-Use Leased Space	10,664,130	5,420,169	-	16,084,299
Total Accumulated Depreciation	1,121,807,850	91,617,488	7,365,222	1,206,060,116
Total Depreciable Capital Assets, Net	\$ 1,235,962,087	\$ 37,403,012	\$ 286,103	\$ 1,273,078,996

8. 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 \$104,257,610, a dining facility fee liability in the amount of \$4,580,611, and deferred inflows of resources in the amount of \$103,682,700 at fiscal year end pursuant to the service concession arrangement.

9. Unearned Revenue

Unearned revenue at June 30, 2024, 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, 2024, 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, 2024, the University reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$69,474,097
Capital Appropriations	314,685
Auxiliary Prepayments	<u>2,114,781</u>
Total Unearned Revenue	<u>\$71,903,563</u>

10. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2024, include capital improvement debt payable, installment purchases payable, right-to-use leases payable, subscription arrangements liability, estimated insurance claims payable, compensated absences payable, Federal advance payable, dining facility fee payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2024, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Improvement Debt Payable	\$ 4,210,437	\$ -	\$ 1,938,479	\$ 2,271,958	\$ 1,123,479
Installment Purchases Payable	246,495,196	20,926,223	12,589,471	254,831,948	14,254,582
Right-to-Use Leases Payable	25,349,770	3,079,723	5,306,327	23,123,166	4,572,381
Subscription Arrangements Liability	8,896,298	1,639,752	5,670,801	4,865,249	3,350,029
Estimated Insurance Claims Payable	22,946,941	2,089,719	1,629,855	23,406,805	904,500
Compensated Absences Payable	109,753,525	19,404,032	11,610,489	117,547,068	14,243,955
Federal Advance Payable	686,137	-	356,569	329,568	-
Dining Facility Fee Payable	4,608,533	-	27,922	4,580,611	29,598
Other Postemployment Benefits Payable	393,844,412	399,018,195	375,731,844	417,130,763	10,851,300
Net Pension Liability	380,297,687	231,588,233	155,189,969	456,695,951	-
Total Long-Term Liabilities	<u>\$1,197,088,936</u>	<u>\$ 677,745,877</u>	<u>\$ 570,051,726</u>	<u>\$1,304,783,087</u>	<u>\$ 49,329,824</u>

Capital Improvement Debt Payable. The University had the following capital improvement debt payable outstanding at June 30, 2024:

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	\$ 2,271,958	2.2	2026
Total Capital Improvement Debt	\$ 21,545,000	\$ 2,271,958		

(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 \$2,271,958 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 \$2,371,010 and principal and interest paid for the current year totaled \$2,043,390. During the 2023-24 fiscal year, traffic and parking fees, and transportation access fees totaled \$9,516,394 and \$3,226,176, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2024, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2025	\$ 1,135,000	\$ 50,490	\$ 1,185,490
2026	1,160,000	25,520	1,185,520
Subtotal	2,295,000	76,010	2,371,010
Deferred Loss on Refunding	(23,042)	-	(23,042)
Total	\$ 2,271,958	\$ 76,010	\$ 2,347,968

Installment Purchases Payable. The University has entered into installment purchase agreements for the purchase of equipment reported at \$1,139,656. The stated interest rates ranged from 2.3 percent to 8.1 percent. The University pledged 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, 2024, is as follows:

<u>Debt Type and Series</u>	<u>Amount of Original Debt</u>	<u>Amount Outstanding (2)</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date To</u>
Bonds:				
Series 2015 Marshall Center	\$ 31,595,000	\$ 21,740,000	3.65-5.00	2036
Notes:				
Series 2013 Arena (1)	20,000,000	11,525,000	4.78	2033
Series 2018A Athletics (1)	6,843,759	4,716,368	2.25	2030
Series 2018B Athletics (1)	9,354,110	6,638,420	2.25	2031
Certificates of Participation:				
Series 2012A Housing	77,015,000	68,260,000	5.00	2035
Series 2012B Housing	68,975,000	43,725,000	4.67	2037
Series 2018 Housing	30,140,000	27,875,000	4.00-5.00	2048
Series 2019 Housing	15,510,000	13,250,000	3.25-5.00	2040
Series 2022 Housing	28,550,000	28,550,000	5.00-5.25	2052
Total	<u>\$287,982,869</u>	<u>\$226,279,788</u>		

(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.

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

Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2024, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	25,794,731	17,175,375	8,619,356
2030-2034	120,779,757	89,611,443	31,168,314
2035-2039	61,782,546	48,440,882	13,341,664
2040-2044	25,719,776	18,880,264	6,839,512
2045-2049	17,405,375	14,130,000	3,275,375
2050-2052	5,877,000	5,310,000	567,000
Total Minimum Lease Payments	<u>\$ 360,152,600</u>	<u>\$ 254,831,948</u>	<u>\$ 105,320,652</u>

Right-to-Use Leases Payable. The University leases office, laundry, athletic, postal, 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 1.4 percent to 3.2 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 2023-24 fiscal year, the University recognized \$3,884,907 for operating cost payments related to leases. The University does not have any leases subject to a residual value guarantee. See Note 7. 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, 2024, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 5,158,683	\$ 4,572,381	\$ 586,302
2026	4,084,449	3,587,585	496,864
2027	2,689,601	2,267,938	421,663
2028	2,143,965	1,780,791	363,174
2029	2,018,780	1,706,365	312,415
2030-2034	8,675,651	7,871,470	804,181
2035	1,340,178	1,336,636	3,542
Total Minimum Lease Payments	\$ 26,111,307	\$ 23,123,166	\$ 2,988,141

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 3.4 percent. Variable payments are excluded from the valuations unless they are fixed in substance. During the 2023-24 fiscal year, the University recognized \$760,279 for variable costs, support, and additional cloud storage not included in the measurement of the subscription liability. See Note 7. 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, 2024, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 3,468,538	\$ 3,350,029	\$ 118,509
2026	1,195,283	1,156,402	38,881
2027	366,138	358,818	7,320
Total	\$ 5,029,959	\$ 4,865,249	\$ 164,710

In addition, as of June 30, 2024, the University has reported \$8,307,741 of prepayments for costs before the commencement of the subscription term. Future subscription payment commitments for software being implemented total \$4,385,579.

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, 2024, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$117,547,068. The current portion of the compensated absences liability, \$14,243,955, 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 \$329,568.

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, 2024, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2025	\$ 300,000
2026	300,000
2027	300,000
2028	300,000
2029	300,000
2030-2034	1,500,000
2035-2039	1,500,000
2040-2044	1,500,000
2045-2049	1,500,000
2050-2054	1,500,000
2055-2059	1,500,000
2060-2064	<u>1,500,000</u>
Total Minimum Payments	12,000,000
Less, Amount Representing Interest	<u>7,419,389</u>
Present Value of Minimum Payments	<u>\$4,580,611</u>

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 \$417,130,763 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022. At June 30, 2023, the University’s proportionate share, determined by its proportion of total benefit payments made, was 4.98 percent, which was a decrease of 0.04 from its proportionate share reported as of June 30, 2022.

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	2.4 percent
Salary increases	Varies by FRS class
Discount rate	4.13 percent
Healthcare cost trend rates	10.3 percent for the Preferred Provider Organizations (PPO) for 2022, initially decreasing 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 decreasing 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 Rate Index.

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

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

The following changes have been made since the prior valuation:

- Disability Rates – For those in the Special Risk Class, disability rates were updated to those used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2022.
- DROP Election Percentage and DROP Participation Period – For Law Enforcement Officers, the percentage of members assumed to elect to participate in the Deferred Retirement Option Program (DROP) was updated to align with rates used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2022. Further, Law Enforcement Officers’ maximum DROP participation period was extended from 60 months (5 years) to 96 months (8 years).
- Inflation – Inflation was lowered to match the 2.4 percent used in the actuarial valuation of the FRS conducted by Milliman as of July 1, 2022.
- Discount Rate – The discount rate was updated to utilize the mandated discount rate based on a 20-year Standard & Poor’s Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate increased from 4.09 percent to 4.13 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 (3.13 percent) or 1 percentage point higher (5.13 percent) than the current rate:

	<u>1% Decrease (3.13%)</u>	<u>Current Discount Rate (4.13%)</u>	<u>1% Increase (5.13%)</u>
University’s proportionate share of the total OPEB liability	\$505,655,637	\$417,130,763	\$351,321,585

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
University’s proportionate share of the total OPEB liability	\$341,562,379	\$417,130,763	\$521,853,081

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

For the fiscal year ended June 30, 2024, the University recognized negative OPEB expense of \$5,193,373. At June 30, 2024, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 34,505,420
Change of assumptions or other inputs	37,757,980	198,813,229
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	60,857,890	21,773,059
Transactions subsequent to the measurement date	11,091,338	-
Total	\$ 109,707,208	\$ 255,091,708

Of the total amount reported as deferred outflows of resources related to OPEB, \$11,091,338 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2025	\$ (37,067,072)
2026	(26,901,814)
2027	(20,976,666)
2028	(24,021,160)
2029	(24,021,160)
Thereafter	(23,487,966)
Total	\$(156,475,838)

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, 2024, the University's proportionate share of the net pension liabilities totaled \$456,695,951. Note 12. includes a complete discussion of defined benefit pension plans.

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

Long-term liabilities of the USF Financing Corporation at June 30, 2024, include a mortgage loan payable, notes payable, bonds payable, and certificates of participation payable. Long-term liabilities activity for the year ended June 30, 2024, was as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amount Due Within One Year
Bonds Payable	\$ 24,285,000	\$ -	\$ 1,240,000	\$ 23,045,000	\$ 1,305,000
Certificates of Participation Payable	148,725,000	-	5,125,000	143,600,000	5,665,000
Direct Borrowings and Placements:					
Mortgage Loan Payable	2,659,005	-	261,741	2,397,264	273,664
Notes Payable	61,107,567	200,000,000	4,393,059	256,714,508	4,640,557
Certificates of Participation Payable	92,025,000	-	5,000,000	87,025,000	5,140,000
Long Term Liabilities	328,801,572	200,000,000	16,019,800	512,781,772	\$ 17,024,221
Original Issue Premium	8,049,030	-	1,367,086	6,681,944	
Total Long Term Liabilities	\$ 336,850,602	\$ 200,000,000	\$ 17,386,886	\$ 519,463,716	

Mortgage Loan Payable.

The USF Financing Corporation had a mortgage loan payable outstanding at June 30, 2024, as follows:

Description	Amount of Original Issue	Amount Outstanding	Percent of Interest Rate	Issue Date
Series 2019 UDI Building	\$ 3,600,000	\$ 2,397,264	4.33	2019
Total	\$ 3,600,000	\$ 2,397,264		

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, 2024:

<u>Fiscal Year ending June 30</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 273,664	\$ 102,306
2026	285,810	90,160
2027	298,495	77,474
2028	311,576	64,393
2029	325,571	50,398
2030-2033	902,148	61,386
Total Minimum Payments	\$2,397,264	\$ 446,117

Notes Payable.

The USF Financing Corporation had notes payable outstanding at June 30, 2024, as follows:

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>	<u>Interest rates (percent)</u>	<u>Issue Date</u>
Series 2013 Arena	\$ 20,000,000	\$ 12,350,000	4.78	2013
Series 2018A Athletics	6,843,759	4,716,368	2.25	2020
Series 2018B Athletics	9,354,110	6,638,420	2.25	2020
Series 2018 CAMLS	13,857,941	9,834,696	2.25	2020
Series 2019 Research Lab	27,000,000	23,175,024	3.22	2019
Series 2023 Stadium	200,000,000	200,000,000	6.48	2023
Total	\$ 277,055,810	\$ 256,714,508		

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 secured by a lien on pledges revenues. 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 effective interest method. At June 30, 2024, the unamortized balance of the deferred outflow was \$27,819. 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 effective interest method. At June 30, 2024, the unamortized balance of the deferred outflow was \$41,851. 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 secured by a lien on pledges revenues. 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 effective interest method. At June 30, 2024, the unamortized balance of the deferred outflow was \$62,001. 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 secured by a lien on pledges revenues. 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 secured by a lien on pledges revenues. 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.

Series 2023 Stadium Note. On December 5, 2023, the USF Financing Corporation entered into a loan agreement with Truist Bank, evidenced by the Series 2023 Taxable Promissory Note (Series 2023 Stadium Note). The proceeds of the loan will finance the construction of the on-campus stadium (the Stadium) to be located on the University's Tampa campus. The Series 2023 Note was issued at a taxable, fixed interest rate.

The Series 2023 Stadium Note is a direct borrowing from the bank. The Note is secured by a lien on pledges revenues, on parity with the existing Series 2018A and 2018B Athletics Notes. 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.

The USF Financing Corporation entered into an operating and reporting agreement, dated as of December 4, 2023, with the University Board of Trustees and Truist Bank whereby the University shall construct (pursuant to the Construction Disbursement Agreement between the University and Truist Bank), own, and operate the Stadium. The University makes payments to the USF Financing Corporation in an amount equal to 100 percent of the 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, 2024:

<u>Fiscal Year Ending June 30</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 4,640,557	\$ 14,757,608
2026	4,900,562	14,613,099
2027	8,490,288	14,463,026
2028	12,424,551	13,980,488
2029	13,194,686	13,356,686
2030-2034	65,289,657	56,297,452
2035-2039	70,461,825	37,160,552
2040-2041	77,312,382	12,794,544
Total Minimum Payments	\$ 256,714,508	\$ 177,423,455

Bonds Payable.

The USF Financing Corporation had bonds outstanding at June 30, 2024, as follows:

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding</u>	<u>Interest rates (percent)</u>	<u>Issue Date</u>
Series 2015 Marshall Center	\$ 31,595,000	\$ 23,045,000	2.00-5.00	2015
Total	\$ 31,595,000	\$ 23,045,000		

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 effective interest method. At June 30, 2024, the unamortized balance of the deferred outflow of resources was \$95,521. 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 secured by a lien on pledges revenues. 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, 2024:

<u>Fiscal Year Ending June 30</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
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	1,585,000	773,020
2030-2034	9,195,000	2,562,600
2035-2037	6,650,000	390,718
Total Minimum Payments	23,045,000	<u>\$ 7,555,543</u>
Unamortized Premium	953,201	
Bonds Payable	<u>\$23,998,201</u>	

Certificates of Participation Payable.

The USF Financing Corporation had Certificates of Participation (Certificates) outstanding at June 30, 2024, as follows:

<u>Description</u>	<u>Amount of</u>	<u>Amount</u>	<u>Interest rates</u>	<u>Issue/</u>
	<u>Original Issue</u>	<u>Outstanding</u>	<u>(percent)</u>	<u>Acceptance</u>
				<u>Date</u>
Series 2012A Housing	\$ 77,015,000	\$ 72,745,000	5.00	2015
Series 2018 Housing	30,140,000	28,485,000	4.00–5.00	2019
Series 2019 Housing	15,510,000	13,820,000	3.25–5.00	2019
Series 2022 Housing	28,550,000	28,550,000	5.00-5.25	2022
Direct Placements:				
Series 2012B Housing	68,975,000	46,275,000	4.67	2012
Series 2013A Health	29,945,000	26,500,000	3.43	2021
Series 2013B Health	15,795,000	14,250,000	4.29	2021
Total	<u>\$ 265,930,000</u>	<u>\$ 230,625,000</u>		

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 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.

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 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.

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 effective interest method. At June 30, 2024, the unamortized balance of the deferred outflow of resources was \$316,519. 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 secured by a lien on pledges 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.

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 secured by a lien on pledges revenues, on parity with the outstanding Housing Certificates. 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 adjusted 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 secured by a lien on pledges revenues, on parity with the Series 2013B Health Certificates. 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 secured by a lien on pledged revenues, on parity with the 2013A Health Certificates. 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, financed 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, 2024:

<u>Fiscal Year ending June 30</u>	<u>Certificates</u>		<u>Direct Placements</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 5,665,000	\$ 6,776,763	\$ 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	7,495,000	5,427,263	5,850,000	2,653,513
2030-2034	43,690,000	20,987,525	32,190,000	9,355,584
2035-2039	29,725,000	11,066,725	27,380,000	2,282,072
2040-2044	14,375,000	6,897,875	-	-
2045-2049	15,330,000	3,624,881	-	-
2050-2054	6,910,000	748,388	-	-
Total Minimum Payments	143,600,000	<u>\$ 73,939,584</u>	87,025,000	<u>\$ 27,243,809</u>
Unamortized Premium	5,728,743	-	-	-
Certificates of Participation Payable	<u>\$ 149,328,743</u>		<u>\$ 87,025,000</u>	

Covenants. All of the Notes, Bonds, Certificates, and the Mortgage Loan are subject to certain covenants and other commitments. To the best of its knowledge, the USF Financing Corporation is in compliance with all covenants and commitments as of June 30, 2024. 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 \$46,685,562 at June 30, 2024, 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, 2024, 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, 2024:

<u>Bond Issue</u>	<u>Counter-party</u>	<u>Initial Notional Amount of Swap</u>	<u>Outstanding Amount of Swap</u>	<u>Effective Date</u>	<u>Initial Term (Years)</u>	<u>Semi Annual Fixed Rate Percentage</u>	<u>Fair value June 30, 2024</u>	<u>Cash Flow</u>
Series 2012B	Royal Bank of Canada	\$ 73,700,000	\$ 46,275,000	9-25-07	30	3.939	\$ (2,502,077)	\$ 212,963

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, 2024, was (\$2,513,959). 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, 2024, of (\$2,502,077) 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, 2024, was \$1,020,886 which is recorded as a decrease in deferred outflows of resources. The following is a schedule of expected future interest payments required under the swap agreement, as of June 30, 2024:

<u>Fiscal Year Ending June 30</u>	<u>Interest</u>
2025	\$ 1,722,328
2026	1,617,944
2027	1,509,622
2028	1,396,376
2029	1,279,190
2030-2034	4,474,704
2035-2038	963,086
Total Interest Payments	\$ 12,963,250

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, 2024, 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.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

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

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

The University’s FRS and HIS pension expense totaled \$118,142,117 for the fiscal year ended June 30, 2024.

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 96 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2023-24 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	13.57
FRS, Senior Management Service	3.00	34.52
FRS, Special Risk	3.00	32.67
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	21.13
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 2 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 \$46,160,538 for the fiscal year ended June 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2024, the University reported a liability of \$332,889,586 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The University's proportionate share of the net pension liability

was based on the University's 2022-23 fiscal year contributions relative to the total 2022-23 fiscal year contributions of all participating members. At June 30, 2023, the University's proportionate share was 0.835422902 percent, which was an increase of 0.013663437 from its proportionate share measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the University recognized pension expense of \$70,711,455. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,255,460	\$ -
Change of assumptions	21,700,505	-
Net difference between projected and actual earnings on FRS Plan investments	13,902,370	-
Changes in proportion and differences between University contributions and proportionate share of contributions	9,183,054	5,611,504
University FRS contributions subsequent to the measurement date	46,160,538	-
Total	\$ 122,201,927	\$ 5,611,504

The deferred outflows of resources totaling \$46,160,538, 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2025	\$ 9,855,277
2026	(3,640,429)
2027	55,902,348
2028	6,606,064
2029	1,706,625
Total	\$ 70,429,885

Actuarial Assumptions. The total pension liability in the July 1, 2023, 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, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's

description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate (Property)	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
Total	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.4%

(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 2023 valuation was unchanged from the previous valuation.

Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.70 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:

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
University's proportionate share of the net pension liability	\$568,643,197	\$332,889,586	\$135,653,482

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, 2024, the University reported a payable of \$2,531,468 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2024.

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, 2024, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 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, 2024, the contribution rate was 2 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 \$6,727,490 for the fiscal year ended June 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2024, the University reported a liability of \$123,806,365 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022, and update procedures were used to determine the net pension liability as of July 1, 2023. The University's proportionate share of the net pension liability was based on the University's 2022-23 fiscal year contributions relative to the total 2022-23 fiscal year contributions of all participating members. At June 30, 2023, the University's proportionate share was 0.779571581 percent, which was an increase of 0.075833261 from its proportionate share measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the University recognized pension expense of \$47,430,662. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,812,440	\$ 290,592
Change of assumptions	3,254,832	10,728,239
Net difference between projected and actual earnings on HIS Plan investments	63,936	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	7,916,075	3,516,678
University HIS contributions subsequent to the measurement date	6,727,490	-
Total	<u>\$ 19,774,773</u>	<u>\$ 14,535,509</u>

The deferred outflows of resources totaling \$6,727,490, 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2025	\$ (217,510)
2026	58,008
2027	(565,666)
2028	(1,221,084)
2029	132,589
Thereafter	325,437
Total	<u>\$(1,488,226)</u>

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	3.65 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 3.65 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.54 percent to 3.65 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 3.65 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 (2.65 percent) or 1 percentage point higher (4.65 percent) than the current rate:

	<u>1% Decrease (2.65%)</u>	<u>Current Discount Rate (3.65%)</u>	<u>1% Increase (4.65%)</u>
University's proportionate share of the net pension liability	\$141,243,740	\$123,806,365	\$109,351,952

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, 2024, the University reported a payable of \$504,349 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2024.

13. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2023-24 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	11.30
FRS, Senior Management Service	12.67
FRS, Special Risk Regular	19.00

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, 2024, 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 \$19,560,935 for the fiscal year ended June 30, 2024.

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, 4.78 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 9.93 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 \$35,460,982, and employee contributions totaled \$19,048,626 for the 2023-24 fiscal year.

14. Construction Commitments

The University's construction commitments at June 30, 2024, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
USF On-Campus Stadium	\$ 293,251,280	\$ 6,761,033	\$ 286,490,247
Sarasota-Manatee Campus Student Center and Residence Hall	45,675,400	34,767,593	10,907,807
College of Nursing Expansion	30,804,131	2,918,061	27,886,070
ESCO Projects	30,732,869	19,509,222	11,223,647
Environmental Oceanographic Research Facility	24,341,429	163,202	24,178,227
Taneja College of Pharmacy	20,286,836	12,975,831	7,311,005
USF Health Morsani College of Medicine and Heart Institute Buildout	13,580,000	11,346,697	2,233,303
College of Behavioral and Community Sciences HVAC Replacement	7,166,542	3,681,914	3,484,628
Subtotal	<u>465,838,487</u>	<u>92,123,553</u>	<u>373,714,934</u>
Other Projects (1)	<u>166,052,063</u>	<u>53,973,930</u>	<u>112,078,133</u>
Total	<u>\$ 631,890,550</u>	<u>\$ 146,097,483</u>	<u>\$ 485,793,067</u>

(1) Individual projects with a current balance committed of less than \$5 million at June 30, 2024.

15. State Self-Insurance Programs

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2023-24 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 \$40.2 million for flood and \$38.6 million for named windstorm through February 14, 2024, and increased to \$62.5 million for named windstorm and flood starting February 15, 2024. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$184.8 million through February 14, 2024, and increased to \$237.5 million starting February 15, 2024; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person and \$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the

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

16. University Self-Insurance Program

The 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 15.

The Program’s estimated liability for unpaid claims at fiscal year-end is the result of both management and actuarial analyses and includes an amount for claims that have been incurred but not reported. Changes in the Program’s claim liability amount for the fiscal years ended June 30, 2023, and June 30, 2024, are presented in the following table:

<u>Fiscal Year</u>	<u>Claims Liability Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Claims Liability End of Year</u>
2022-23	\$ 24,681,970	\$ (637,104)	\$ (1,097,925)	\$ 22,946,941
2023-24	22,946,941	2,089,719	(1,629,855)	23,406,805

17. Litigation

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

18. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 538,158,505
Research	459,965,570
Public Services	25,376,361
Academic Support	150,280,223
Student Services	76,685,263
Institutional Support	154,430,252
Operation and Maintenance of Plant	87,915,437
Scholarships, Fellowships, and Waivers	95,937,739
Depreciation	91,617,488
Auxiliary Enterprises	182,180,269
Loan Operations	305,944
Total Operating Expenses	<u>\$ 1,862,853,051</u>

19. Segment Information

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

Condensed Statement of Net Position

	<u>Parking Facilities</u>
Assets	
Current Assets	\$ 6,159,940
Capital Assets, Net	35,102,309
Other Noncurrent Assets	<u>12,273,872</u>
Total Assets	<u>53,536,121</u>
Deferred Outflows of Resources	<u>1,019,168</u>
Liabilities	
Current Liabilities	1,246,052
Noncurrent Liabilities	<u>4,899,562</u>
Total Liabilities	<u>6,145,614</u>
Deferred Inflows of Resources	<u>1,114,551</u>
Net Position	
Net Investment in Capital Assets	32,830,350
Restricted - Expendable	14,188,708
Unrestricted	<u>276,066</u>
Total Net Position	<u>\$ 47,295,124</u>

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

	Parking Facilities
Operating Revenues	\$12,749,095
Depreciation Expense	(1,757,885)
Other Operating Expenses	(8,584,183)
Operating Income	2,407,027
Nonoperating Revenues (Expenses):	
Nonoperating Revenue	210,165
Interest Expense	(104,911)
Other Nonoperating Expense	(8,035,046)
Net Nonoperating Expenses	(7,929,792)
Loss Before Other Revenues	(5,522,765)
Transfers from Other University Funds	10,594
Decrease in Net Position	(5,512,171)
Net Position, Beginning of Year	52,807,295
Net Position, End of Year	\$47,295,124

Condensed Statement of Cash Flows

	Parking Facilities
Net Cash Provided (Used) by:	
Operating Activities	\$ 3,867,350
Capital and Related Financing Activities	(14,644,626)
Investing Activities	9,805,172
Net Decrease in Cash and Cash Equivalents	(972,104)
Cash and Cash Equivalents, Beginning of Year	2,639,255
Cash and Cash Equivalents, End of Year	\$ 1,667,151

20. Blended Component Unit

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

Condensed Statement of Net Position

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Assets:				
Other Current Assets	\$ 6,472,591	\$ 1,150,646,607	\$ -	\$ 1,157,119,198
Capital Assets, Net	3,609	1,443,215,545	-	1,443,219,154
Other Noncurrent Assets	80,803,560	116,568,249	-	197,371,809
Total Assets	87,279,760	2,710,430,401	-	2,797,710,161
Deferred Outflows of Resources	-	251,683,908	-	251,683,908
Liabilities:				
Other Current Liabilities	1,037,649	250,365,756	-	251,403,405
Noncurrent Liabilities	22,502,305	1,232,950,958	-	1,255,453,263
Total Liabilities	23,539,954	1,483,316,714	-	1,506,856,668
Deferred Inflows of Resources	-	401,341,535	-	401,341,535
Net Position:				
Net Investment in Capital Assets	3,609	1,061,959,330	-	1,061,962,939
Restricted - Expendable	63,736,197	344,369,895	-	408,106,092
Unrestricted	-	(328,873,165)	-	(328,873,165)
Total Net Position	\$ 63,739,806	\$ 1,077,456,060	\$ -	\$ 1,141,195,866

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

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Operating Revenues	\$ 7,186,143	\$ 1,046,195,294	\$ (710,042)	\$ 1,052,671,395
Depreciation Expense	(1,265)	(91,616,223)	-	(91,617,488)
Other Operating Expenses	(5,936,808)	(1,766,008,797)	710,042	(1,771,235,563)
Operating Income (Loss)	1,248,070	(811,429,726)	-	(810,181,656)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	7,370,569	923,889,883	-	931,260,452
Interest Expense	-	(13,688,898)	-	(13,688,898)
Other Nonoperating Expense	-	(75,148,191)	-	(75,148,191)
Net Nonoperating Revenues	7,370,569	835,052,794	-	842,423,363
Other Revenues	-	76,835,150	-	76,835,150
Increase in Net Position	8,618,639	100,458,218	-	109,076,857
Net Position, Beginning of Year	55,121,167	976,997,842	-	1,032,119,009
Net Position, End of Year	\$ 63,739,806	\$ 1,077,456,060	\$ -	\$ 1,141,195,866

Condensed Statement of Cash Flows

	USF Health Sciences Center Self-Insurance Program	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	\$ 3,759,426	\$ (706,118,642)	\$ -	\$ (702,359,216)
Noncapital Financing Activities	-	792,936,055	-	792,936,055
Capital and Related Financing Activities	(1,360)	(133,773,693)	-	(133,775,053)
Investing Activities	(2,015,337)	39,783,922	-	37,768,585
Net Increase (Decrease) in Cash and Cash Equivalents	1,742,729	(7,172,358)	-	(5,429,629)
Cash and Cash Equivalents, Beginning of Year	3,288,860	76,875,378	-	80,164,238
Cash and Cash Equivalents, End of Year	<u>\$ 5,031,589</u>	<u>\$ 69,703,020</u>	<u>\$ -</u>	<u>\$ 74,734,609</u>

21. Discretely Presented Component Units

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

Condensed Statement of Net Position

	Direct-Support Organizations			
	University of South Florida Foundation, Inc.	University of South Florida Alumni Association, Inc.	USF Health Professions Conferencing Corporation	Sun Dome, Inc.
Assets:				
Current Assets	\$ 131,265,859	\$ 1,027,467	\$ 1,816,414	\$ 2,918,649
Capital Assets, Net	18,047,203	-	15,277,157	485,238
Other Noncurrent Assets	769,166,214	10,341,983	719,897	-
Total Assets	918,479,276	11,369,450	17,813,468	3,403,887
Deferred Outflows of Resources	-	-	62,001	-
Liabilities:				
Current Liabilities	6,682,599	442,208	3,887,609	2,220,562
Noncurrent Liabilities	4,020,145	2,649,550	8,263,475	1,709,024
Total Liabilities	10,702,744	3,091,758	12,151,084	3,929,586
Deferred Inflows of Resources	28,341,382	23,765	1,442,749	-
Net Position:				
Net Investment in Capital Assets	14,220,766	-	5,690,133	485,238
Restricted Nonexpendable	422,273,813	1,191,928	-	-
Restricted Expendable	415,018,760	696,764	-	-
Unrestricted	27,921,811	6,365,235	(1,408,497)	(1,010,937)
Total Net Position	\$ 879,435,150	\$ 8,253,927	\$ 4,281,636	\$ (525,699)

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

Direct-Support Organizations				Health Services Support Organization	
USF Institute of Applied Engineering, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	University Health Services Support Organization, Inc.	Total
\$ 4,376,860	\$ 25,936,752	\$ 24,271,253	\$ 143,416,659	\$ -	\$ 335,029,913
4,244,626	82,679,137	-	70,801,126	-	191,534,487
-	81,167,472	531,061,216	15,699,481	77,088	1,408,233,351
8,621,486	189,783,361	555,332,469	229,917,266	77,088	1,934,797,751
-	-	3,045,788	-	-	3,107,789
4,375,409	33,500,465	25,978,994	69,229,015	366,687	146,683,548
2,802,893	35,247,262	504,941,572	53,317,151	-	612,951,072
7,178,302	68,747,727	530,920,566	122,546,166	366,687	759,634,620
-	43,763,349	-	18,340,692	-	91,911,937
1,257,782	45,184,689	-	10,992,627	-	77,831,235
-	-	-	-	-	423,465,741
-	3,268,084	23,517,219	-	-	442,500,827
185,402	28,819,512	3,940,472	78,037,781	(289,599)	142,561,180
<u>\$ 1,443,184</u>	<u>\$ 77,272,285</u>	<u>\$ 27,457,691</u>	<u>\$ 89,030,408</u>	<u>\$ (289,599)</u>	<u>\$ 1,086,358,983</u>

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	\$ 70,616,309	\$ 2,684,098	\$ 15,488,054	\$ 7,457,099
Operating Expenses	(122,906,226)	(2,850,824)	(16,106,954)	(7,014,376)
Operating Income (Loss)	(52,289,917)	(166,726)	(618,900)	442,723
Net Nonoperating Revenues (Expenses)	113,996,684	1,067,395	723,335	(415,448)
Other Revenues	19,500,390	26,790	-	-
Increase (Decrease) in Net Position	81,207,157	927,459	104,435	27,275
Net Position, Beginning of Year	798,227,993	7,326,468	4,177,201	(552,974)
Net Position, End of Year	<u>\$ 879,435,150</u>	<u>\$ 8,253,927</u>	<u>\$ 4,281,636</u>	<u>\$ (525,699)</u>

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

Direct-Support Organizations				Health Services Support Organization	
USF Institute of Applied Engineering, Inc.	University of South Florida Research Foundation, Inc.	USF Financing Corporation and USF Property Corporation (1)	University Medical Service Association, Inc. (Faculty Practice Plan)	University Health Services Support Organization, Inc.	Total
\$ 10,679,725 (11,917,630)	\$ 13,521,515 (17,740,012)	\$ 22,284,433 (2,108,059)	\$ 391,310,979 (396,155,864)	\$ - (14,100)	\$ 534,042,212 (576,814,045)
(1,237,905)	(4,218,497)	20,176,374	(4,844,885)	(14,100)	(42,771,833)
1,484,956	4,129,575	(17,932,775)	(6,262,020)	(76,086)	96,715,616
-	-	-	-	-	19,527,180
247,051	(88,922)	2,243,599	(11,106,905)	(90,186)	73,470,963
1,196,133	77,361,207	25,214,092	100,137,313	(199,413)	1,012,888,020
\$ 1,443,184	\$ 77,272,285	\$ 27,457,691	\$ 89,030,408	\$ (289,599)	\$ 1,086,358,983

22. Current Unrestricted Funds

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

Statement of Current Unrestricted Funds Net Position

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 54,291,768
Investments	667,560,280
Accounts Receivable, Net	14,446,083
Due from Component Units	1,982,988
Inventories	286,695
Other Current Assets	<u>104,957</u>
Total Current Assets	<u>738,672,771</u>
Noncurrent Assets:	
Other Noncurrent Assets	<u>8,307,740</u>
TOTAL ASSETS	<u>746,980,511</u>

DEFERRED OUTFLOWS OF RESOURCES

Other Postemployment Benefits	109,707,208
Pensions	<u>141,976,700</u>
Total Deferred Outflows of Resources	<u>251,683,908</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	17,752,071
Salary and Wages Payable	35,834,689
Deposits Payable	2,803,169
Due to Component Units	2,420,370
Unearned Revenue	2,114,782
Compensated Absences Payable	14,243,955
Other Postemployment Benefits Payable	<u>10,851,300</u>
Total Current Liabilities	<u>86,020,336</u>
Noncurrent Liabilities:	
Compensated Absences Payable	103,303,113
Other Postemployment Benefits Payable	406,279,463
Net Pension Liability	<u>456,695,951</u>
TOTAL LIABILITIES	<u>1,052,298,863</u>

DEFERRED INFLOWS OF RESOURCES

Other Postemployment Benefits	255,091,708
Pensions	<u>20,147,013</u>
Total Deferred Inflows of Resources	<u>275,238,721</u>

TOTAL NET POSITION	<u><u>\$(328,873,165)</u></u>
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Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Position

REVENUES

Operating Revenues:

Student Tuition and Fees (1)	\$ 406,221,007
(\$3,226,176 Pledged for Parking System Revenue Bonds)	
Nongovernmental Grants and Contracts	10,770,754
Sales and Services of Auxiliary Enterprises	
(\$9,516,394 Pledged for Parking System Revenue Bonds)	173,507,786
Other Operating Revenues	<u>4,574,404</u>
Total Operating Revenues	<u>595,073,951</u>

EXPENSES

Operating Expenses:

Compensation and Employee Benefits	831,055,415
Services and Supplies	298,869,858
Utilities	31,026,783
Scholarships and Waivers	<u>89,441,521</u>
Total Operating Expenses	<u>1,250,393,577</u>
Operating Loss	<u>(655,319,626)</u>

NONOPERATING REVENUES (EXPENSES)

State Noncapital Appropriations	613,220,660
Investment Income	55,065,703
Other Nonoperating Revenues	487,729
Gain on Disposal of Capital Assets	30,190,426
Interest on Asset-Related Debt	(12,880,543)
Other Nonoperating Expenses	<u>(35,000,349)</u>
Net Nonoperating Revenues	<u>651,083,626</u>

Loss Before Other Expenses	(4,236,000)
Transfers to/from Other Funds	<u>(21,846,494)</u>

Decrease in Net Position	<u>(26,082,494)</u>
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Net Position, Beginning of Year	<u>(302,790,671)</u>
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Net Position, End of Year	<u>\$ (328,873,165)</u>
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(1) Student tuition and fees revenues are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in the student tuition and fees revenue for the purposes of this disclosure.

23. Affiliated Organizations

The University is affiliated with H. Lee Moffitt Cancer Center & Research Institute, Inc. (the Cancer Center) through an affiliation agreement whereby the Cancer Center and its subsidiaries agree to participate as an affiliated teaching hospital of the University, and to permit the use of the facilities and access to its programs and patients by University faculty, resident physicians, and students for mutually approved patient care, training, education, and research programs and activities.

As a significant part of this relationship, University faculty conduct research and development (R&D) activities at the Cancer Center which are not reported in the University's statement of revenues, expenses, and changes in net position. Cancer Center R&D expenditures for USF faculty research performed at the Cancer Center but not reported in the University's statement of revenues, expenses, and changes in net position totaled \$117.7 million for the 2023-24 fiscal year.

24. Subsequent Events

The University incurred expenses related to recovery efforts from the impacts of two hurricanes within two weeks, Hurricane Helene on September 26-27, 2024, and Hurricane Milton on October 9-10, 2024. The University will submit qualifying expenses for reimbursement from the Federal Emergency Management Agency (FEMA).

The University signed a letter of intent for a 15-year partnership with Compass Group to manage food services, facilities, and athletic concessions on October 2, 2024. The life-of-contract investment from Compass Group and its affiliates totals nearly \$88 million, encompassing a \$47 million signing bonus, capital commitments, and buyout of the University's existing contract with Aramark.

Sun Dome, Inc., a direct-support organization of the University, voted to change its name to USF Management Corporation on November 12, 2024.

On August 1, 2024, the USF Financing Corporation Board of Directors authorized the remarketing of the outstanding \$43,725,000 Housing Series 2012B direct placement certificates of participation. The Series 2012B Certificates are currently held by Wells Fargo and Wells Fargo exercised its option to cause the USF Financing Corporation to repurchase the Series 2012B Certificates on October 1, 2024. The USF Financing Corporation sought proposals from various financial institutions to purchase the Series 2012B Certificates. The USF Financing Corporation selected the proposal submitted by JPMorgan Chase Bank, N.A. to purchase the Series 2012B Certificates through its wholly owned subsidiary DNT Asset Trust. The amended Supplemental Trust Agreement and Continuing Covenant Agreement and all related agreements, certificates and opinions were executed, and the transaction closed on October 1, 2024.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
University's proportion of the total other postemployment benefits liability	4.98%	5.02%	5.20%	5.09%
University's proportionate share of the total other postemployment benefits liability	\$ 417,130,763	\$ 393,844,412	\$ 547,766,057	\$ 523,378,900
University's covered-employee payroll	\$ 657,251,291	\$ 579,907,971	\$ 575,529,744	\$ 576,330,586
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	63.47%	67.91%	95.18%	90.81%

2019	2018	2017	2016
4.39%	4.13%	4.13%	4.07%
\$556,271,661	\$435,779,000	\$446,394,000	\$480,770,000
\$566,991,383	\$539,620,556	\$512,542,210	\$490,228,479
98.11%	80.76%	87.09%	98.07%

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

	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
University's proportion of the FRS net pension liability	0.835422902%	0.821759465%	0.794499064%	0.817057250%
University's proportionate share of the FRS net pension liability	\$ 332,889,586	\$ 305,760,559	\$ 60,015,374	\$ 354,124,653
University's covered payroll (2)	\$ 657,251,291	\$ 579,907,971	\$ 575,529,744	\$ 576,330,586
University's proportionate share of the FRS net pension liability as a percentage of its covered payroll	50.65%	52.73%	10.43%	61.44%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.38%	82.89%	96.40%	78.85%

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

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

Schedule of University Contributions – Florida Retirement System Pension Plan

	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>
Contractually required FRS contribution	\$ 46,160,538	\$ 40,230,110	\$ 35,082,441	\$ 30,391,134
FRS contributions in relation to the contractually required contribution	<u>(46,160,538)</u>	<u>(40,230,110)</u>	<u>(35,082,441)</u>	<u>(30,391,134)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 693,483,965	\$ 657,251,291	\$ 579,907,971	\$ 575,529,744
FRS contributions as a percentage of covered payroll	6.66%	6.12%	6.05%	5.28%

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

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

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
0.844746094%	0.829635447%	0.775094790%	0.763712910%	0.764319997%	0.718476151%
\$ 290,918,794	\$ 249,890,497	\$ 229,267,838	\$ 192,838,109	\$ 98,722,179	\$ 43,837,611
\$ 566,991,383	\$ 539,620,556	\$ 512,542,210	\$ 490,228,479	\$ 466,345,909	\$ 443,554,247
51.31%	46.31%	44.73%	39.34%	21.17%	9.88%
82.61%	84.26%	83.89%	84.88%	92.00%	96.09%

<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
\$ 27,147,192	\$ 26,352,406	\$ 23,643,944	\$ 20,316,942	\$ 18,547,490	\$ 18,634,771
<u>(27,147,192)</u>	<u>(26,352,406)</u>	<u>(23,643,944)</u>	<u>(20,316,942)</u>	<u>(18,547,490)</u>	<u>(18,634,771)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 576,330,586	\$ 566,991,383	\$ 539,620,556	\$ 512,542,210	\$ 490,228,479	\$ 466,345,909
4.71%	4.65%	4.38%	3.96%	3.78%	4.00%

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

	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
University's proportion of the HIS net pension liability	0.779571581%	0.703738320%	0.725279532%	0.741270524%
University's proportionate share of the HIS net pension liability	\$ 123,806,365	\$ 74,537,128	\$ 88,966,439	\$ 90,507,924
University's covered payroll (2)	\$ 292,248,988	\$ 248,319,284	\$ 251,433,462	\$ 252,048,838
University's proportionate share of the HIS net pension liability as a percentage of its covered payroll	42.36%	30.02%	35.38%	35.91%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.12%	4.81%	3.56%	3.00%

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

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

Schedule of University Contributions – Health Insurance Subsidy Pension Plan

	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>
Contractually required HIS contribution	\$ 6,727,490	\$ 4,851,333	\$ 4,122,100	\$ 4,173,795
HIS contributions in relation to the contractually required HIS contribution	<u>(6,727,490)</u>	<u>(4,851,333)</u>	<u>(4,122,100)</u>	<u>(4,173,795)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered payroll (2)	\$ 336,374,476	\$ 292,248,988	\$ 248,319,284	\$ 251,433,462
HIS contributions as a percentage of covered payroll	2.00%	1.66%	1.66%	1.66%

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

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

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
0.759945329%	0.744056081%	0.734647326%	0.726023325%	0.706815530%	0.668866670%
\$ 85,030,277	\$ 78,751,731	\$ 78,551,882	\$ 84,615,011	\$ 72,084,066	\$ 62,540,666
\$ 250,178,460	\$ 238,582,447	\$ 229,109,865	\$ 220,376,032	\$ 208,898,281	\$ 194,843,828
33.99%	33.01%	34.29%	38.40%	34.51%	32.10%
2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
\$ 4,271,595	\$ 4,160,779	\$ 4,035,035	\$ 3,803,232	\$ 3,647,462	\$ 2,701,889
<u>(4,271,595)</u>	<u>(4,160,779)</u>	<u>(4,035,035)</u>	<u>(3,803,232)</u>	<u>(3,647,462)</u>	<u>(2,701,889)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 252,048,838	\$ 250,178,460	\$ 238,582,447	\$ 229,109,865	\$ 220,376,032	\$ 208,898,281
1.69%	1.66%	1.69%	1.66%	1.66%	1.29%

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

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

Changes of Assumptions. The discount rate was updated to utilize the mandated discount rate based on a 20-year S&P Municipal Bond Rate Index as of the measurement date, as required under GASB Statement No. 75. The discount rate increased from 4.09 percent to 4.13 percent.

In addition, disability rates, DROP election percentages, and DROP participation periods were updated for certain members based on the actuarial valuation of the Florida Retirement System (FRS) conducted by Milliman as of July 1, 2022. Inflation was lowered to match the 2.4 percent used in that valuation. Refer to Note 10. to the financial statements for further detail.

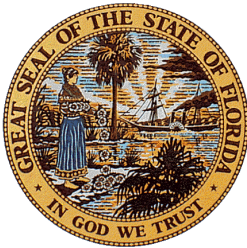
2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. The economic and demographic assumptions are unchanged from the prior valuation with the exception of changes made to the DROP and retirement assumptions to reflect the provisions of Senate Bill 7024.

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

Changes of Benefit Terms. The level of monthly benefits increased from \$5 times years of service to \$7.50 times years of service, with an increased minimum of \$45 and maximum of \$225.

Changes of Assumptions. In 2023, the municipal rate used to determine total pension liability increased from 3.54 percent to 3.65 percent. In addition, the increase in benefits was incorporated into the actuarial assumptions.



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT 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, 2024, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 7, 2025, 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 other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the blended component unit were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the blended component unit or that are reported on separately by those auditors who audited the financial statements of the blended component unit.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 7, 2025

PRIOR AUDIT FOLLOW-UP

The University had taken corrective action for the finding included in our report No. 2024-166.