



ON THE RISE

UNIVERSITY OF FLORIDA ANNUAL FINANCIAL REPORT | 2018-2019





UNIVERSITY OF FLORIDA ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



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UNIVERSITY OF FLORIDA

The University of Florida is a comprehensive learning institution built on a land-grant foundation. We are the Gator Nation, a diverse community dedicated to excellence in education and research and shaping a better future for Florida, the nation, and the world.

MISSION

The University's mission is to enable students to lead and influence the next generation and beyond for economic, cultural, and societal benefit by striving to offer broad-based, inclusive public education, leading research, and public service. The fusion of these three endeavors stimulates a remarkable intellectual vitality and generates a synthesis that represents the University's greatest strength.

Education is a fundamental purpose of the University at both the graduate and undergraduate levels. Research and scholarship are integral to the education process and to the expansion of our understanding of the natural world, the intellect, and the senses. Service reflects the University's obligation to share the benefits of its research and knowledge for the public good.

These three interlocking elements span all academic disciplines and represent the University's commitment to lead and serve by pursuing and disseminating new knowledge while building upon the experiences of the past. The University of Florida aspires to advance by strengthening the human condition and improving the quality of life.

HISTORY

The University of Florida, the State's oldest university, traces its beginning of rich history to 1853, when the state-funded East Florida Seminary acquired the Kingsbury Academy in Ocala. After the end of the Civil War, the institution relocated to Gainesville, ultimately consolidated with the State's land grant Florida Agricultural College and was renamed the University of Florida in 1906. At the time, the University was an all-male institution with only 102 students.

Until 1947, the University of Florida was one of only three State universities, along with the Florida State College for Women (now Florida State University) and Florida A&M University. Women attended as early as 1916, and the student body grew to 601 women and 8,177 men when the Legislature removed all barriers for female enrollment in 1947.

Today, the University is one of the largest in the nation, boasting an enrollment of more than 56,000 students. The campus consists of 2,000 acres and more than 1,000 buildings, including the first Leadership in Energy and Environmental Design (LEED) Platinum-certified building in the state of

Florida. The University is comprised of 16 colleges, offers almost 100 bachelor programs and over 200 masters, doctoral, and professional programs. The University's programs and facilities span more than 180 locations around the State and the globe.

FACULTY

The University faculty, which numbers over 6,000, has over 48 Eminent Scholar Chairs and 45 elections to the National Academies of Science, Engineering, and Medicine or to the American Academy of Arts and Sciences. Present and past faculty include Pulitzer Prize winners, a pioneer in aviation engineering, a leading scholar on econometrics, three winners of NASA's top award for research, one of the four charter members of the Solar Hall of Fame, and a winner of the Smithsonian Institution's award for conservation.

From pharmacy and public relations to pain mitigation and materials engineering, the University of Florida is a recognized leader in a wide variety of specialties and areas. University researchers and scientists have made significant developments and discoveries in many fields, including astronomy, microbiology, metallurgy, and medical technology.

RESEARCH

The University of Florida is a world leader in research, contributing significantly to nearly every field of endeavor. Since 1985, the University of Florida has been a member of the Association of American Universities, which is comprised of 65 leading research universities in the United States and Canada. To date, the University of Florida is the only member university located in Florida.

University researchers have pioneered new therapies and better treatments in the fights against aging and disease. They have developed renewable energy sources that offer great promise in reducing our dependence on fossil fuels, as well as engineered healthier foods, developed more energy-efficient and sustainable construction techniques, and established better ways to protect the environment.

Through the years of research, University of Florida scientists, inventors, engineers, and researchers have developed products and practices that have been distributed and applied with an international reach, improving the lives of millions of people in Florida and around the world.

STUDENTS

The University of Florida's freshman retention rate of 96 percent speaks to the outstanding quality of the University's entire academic experience. Fall 2018 figures indicate an enrollment of over 56,000 students, almost 80 percent of whom are from Florida. Almost every state in the nation is represented in the University of Florida student body, and the University has a large international enrollment, with over 4,400 international students representing more than 150 countries.

Sixty-seven percent of enrolled students are degree-seeking undergraduates, 21 percent are graduate students and seven percent are in a professional degree program, with the remaining five percent consisting of unclassified or non-degree seeking undergraduates.

University of Florida students also receive many opportunities to participate in extracurricular activities. There are more than 1,000 student organizations on campus, and students attend more than 2,000 campus concerts, art exhibits, theatrical productions, guest lectures, sporting events, as well as other events each year.

The University of Florida is ranked 7th (tied) among public colleges and universities in the U.S. News Best Colleges (2020 ed.) and ranks 2nd in Kiplinger's "Best Public College Values" (2019) and 10th in Forbes "Best Value Public Colleges" (2019). Additionally, UF is ranked 6th in Washington Monthly National Universities (2019), 12th in the Wall Street Journal/Times Higher Education U.S. public ranking (2020 ed.), and 3rd in the Milken Institute's ranking of Best Universities for Technology Transfer (2017). The University's consistent ranking among the nation's top universities is a result of the commitment to provide the highest quality education at the best value.

INTRODUCTION FROM THE

VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

I AM PLEASED TO PRESENT the University of Florida's Annual Financial Report for the fiscal year ending on June 30, 2019. This report provides timely, useful information about the University's financial activities, status and well-being in the past fiscal year.

The mission of the Office of the Vice President and Chief Financial Officer is to provide leadership in financial planning, decision making and process improvement. We are continually seeking ways to provide financial support and guidance to the campus community and collaborate with partners across UF.

Here are some highlights from the year:

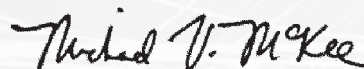
- The University made great strides in the 2019 fiscal year, rising to its highest ranking ever as the No. 7 public university as reported in *US News and World Report*. Ranking factors include: undergraduate academic reputation, graduation and retention rates, faculty resources, student selectivity, financial resources, and alumni giving. It is a great honor to be recognized as one of the country's very best public universities and we look forward to continued success.
- The University is committed to bringing the world's best talent to UF through the Faculty 500 initiative. This ongoing initiative to appoint an additional 500 faculty members to the University will increase our excellence in research and reduce student-faculty ratio and class sizes. The first wave of faculty joined the UF community in the fall 2018 semester and has brought their knowledge largely to the College of Liberal Arts, Engineering, and Agricultural and Life Sciences.
- Research funding continues to be a major component of the University's operating revenues, totaling an impressive \$776 million for the fiscal year 2019 despite an increasingly competitive funding environment. The largest recipients were the College of Medicine - Gainesville (\$284 million), the Institute of Food and Agricultural Sciences (\$161 million), the College of Engineering (\$90 million), and the College of Liberal Arts & Sciences (\$40 million).
- The University is on pace to meet the \$3 billion mark ahead of schedule of its Go Greater fundraising campaign. At this point, over \$2.18 billion has been raised through the generosity of donors who believe in supporting the University's

mission. During the fiscal year 2019, contributions reached a record amount of \$526 million in a single year. The Go Greater campaign is focused on four broad areas: health, environment, innovation, and globalization. These funds, and the earnings generated from UF's endowment, help provide the resources to reach the level of excellence we seek and foster recognition of the University's world-class achievements in learning, discovery, engagement, and economic development.

- The Office of the CFO created a new unit called the Continuous Improvement Office tasked with building a culture of continuous improvement across the University. The Continuous Improvement model is the foundation of formal techniques such as Lean, Six Sigma, Agile and others. Areas such as foreign national hiring and payroll emergency checks have already made progress by streamlining processes, improving work quality, conserving resources and boosting morale.
- Other highlights from the CFO Division include the modernization of the Finance and Accounting website, enhanced training courses, new guides and resources for campus fiscal employees, and the receipt of Annual Achievement of Excellence in Procurement Award from the National Procurement Institute (NPI) for the sixth consecutive year by UF Procurement.

In addition to the highlights and business process improvements noted above, construction continued during fiscal year 2019 on several major projects, including a new parking facility, the Wertheim Laboratory for Engineering Excellence, the new UF Gator Baseball Stadium, and the College of Education's Norman Hall Rehabilitation and Center Addition. I encourage you to read the following report to learn more about the financial health and activities of the University of Florida – the state of Florida's oldest and most comprehensive university – a place dear to us all and where preeminence thrives.

Most cordially,



Michael V. McKee
Vice President and Chief Financial Officer



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 Financial Statements

We have audited the accompanying financial statements of the University of 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, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Florida and of its aggregate discretely presented component units as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Notes 2. and 3. to the financial statements, three discretely presented component units changed from the Financial Accounting Standards Board accounting and financial reporting framework to the Governmental Accounting Standards Board accounting and financial reporting framework. This affects the comparability of amounts reported by the component units for the 2018-19 fiscal year with amounts reported for the 2017-18 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University of Florida's basic financial statements. The University Overview and the Introduction from the Vice President and Chief Financial Officer, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The University Overview and the Introduction from the Vice President and Chief Financial Officer have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Partial Comparative Information

We have previously audited the University of Florida's 2017-18 fiscal year financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 7, 2019. In our opinion, the partial comparative information presented as of and for the fiscal year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020, on our consideration of the University of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Florida's internal control over financial reporting and compliance.

Respectfully submitted,




Sherrill F. Norman, CPA
Tallahassee, Florida
February 6, 2020
Audit Report No 2020-114



MANAGEMENT'S DISCUSSION & ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



The Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of the University of Florida (the University) for the fiscal year ended June 30, 2019, and should be read in conjunction with the financial statements and notes thereto.

THE UNIVERSITY OF FLORIDA (the University) is a component unit of the State of Florida and one of only 17 universities in the country to have the distinction of land, sea and space grant status. As the State's flagship university, it is the only Florida institution to belong to the prestigious Association of American Universities. In addition, the University is one of only six in the country with colleges of law, medicine, agriculture, and veterinary medicine on one central campus, as well as undergraduate and graduate degrees available via distance and online learning. For the third year in a row, the University of Florida rose in the *U.S. News & World Report* rankings, based on up to fifteen key measures of quality, once again remaining the most highly ranked university in Florida and the only university in the state in the top 10. As the University continues to climb, it remains highly accessible to students, offering almost 100 undergraduate degrees and more than 250 graduate degrees, with an affordable tuition that allows nearly two-thirds of the University's graduates to leave with no student loan debt.

The University of Florida's student population of over 56,000 makes it an integral part of Gainesville, a town of approximately 140,000 residents and the University's host city. The University of Florida has adopted a strategic development plan which seeks to shape the University and the surrounding community's future over the next 40 to 50 years. The plan was developed with an exploration of key issues within the university community and the City of Gainesville, and will further the University's goals of maintaining its status as a preeminent university and a leading research institution.

The financial reporting entity for the financial statements includes the University and its component units. Note 1 to the financial statements provides detailed information on the financial reporting entity and discretely presented component units.

This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, 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, 2019, and June 30, 2018.

Financial Highlights

The University continues to maintain and protect its strong financial position, with assets of \$4.3 billion at June 30, 2019. This reflects a \$308.5 million, or 7.8%, increase from the 2017-18 fiscal year. This increase in assets had two main

drivers. The first main driver was an increase in capital assets of \$72.5 million, primarily due to additional work in progress, as the University continues to invest in updated facilities, including modern research laboratories and classrooms, in support of the University's strategic plan.

The second main driver of the increase in assets was an increase in total investments of \$167.5 million. The primary investment objective of the University is the safety of the University's principal and liquidity. Secondary to this responsible financial stewardship is the optimization of investment income. The University succeeded in both objectives during the fiscal year, maximizing the use of available funds in a prudent manner.

While total assets increased, liabilities also increased by \$83.4 million, or 3.6%, totaling \$2.4 billion at June 30, 2019, primarily due to the issuance of capital improvement debt to fund the construction of a new parking facility on campus and additional amounts due to component units.

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 net position increased by \$157.8 million, resulting in a year-end balance of \$1.9 billion.

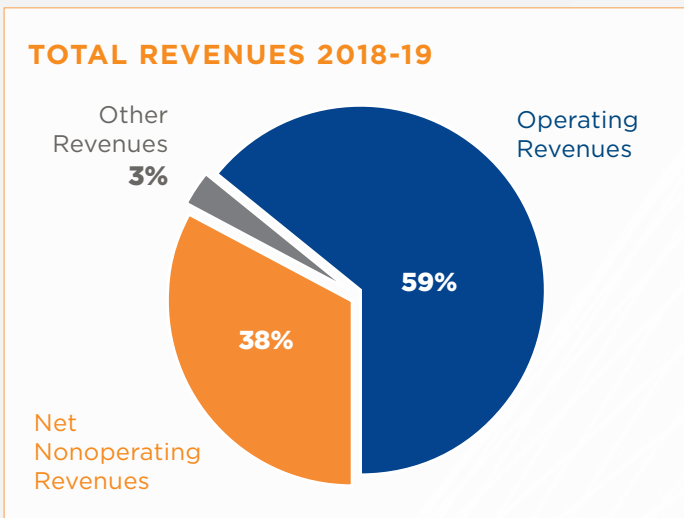
The University of Florida has a strong and diverse revenue base. Operating revenues, which are revenues generated by the University in fulfilling its instruction, research, and public service missions, totaled \$2.0 billion for the 2018-19 fiscal year, representing a 3.6% increase over the 2017-18 fiscal year. Major components of operating revenues are Student Tuition and Fees and Grants and Contracts.

Student Tuition and Fees, net of Scholarship Allowances, decreased by \$20.9 million, or 5.3%, primarily due to an increase in Scholarship Allowances of \$16.6 million. The State of Florida increased the funding for the Florida Bright Futures Scholarship Program, a scholarship program based on high school achievement, to assist Florida students in obtaining an affordable education. There are over 24,000 Florida Bright Futures Scholars at the University of Florida, and 93% of incoming in-state Freshmen receive the award. The State's increased funding, which led to the increase in Scholarship Allowances, continues to support the University's commitment to provide the highest quality education at the best value for its students.

The University of Florida is recognized by *U.S. News & World Report* as one of the Top 10 public research universities in the United States and, as such, growth in Grants and Contracts revenue is essential to the University's success in fulfilling its mission. The increase in revenues from Grants and Contracts of \$91.1 million, or 6.7%, reflects the continued success of the

University's faculty in securing competitive research funding. As the University continues to execute the Faculty 500 hiring initiative, the addition of this new talent will enhance innovation, teaching and research, providing graduate and undergraduate students an opportunity to work with these top scholars and researchers as part of their educational experience.

The following chart provides a graphical presentation of the University's total revenues by category for the 2018-19 fiscal year:



Operating expenses totaled \$3.2 billion for the 2018-19 fiscal year, representing a \$174.6 million, or 5.7%, increase compared to the 2017-18 fiscal year. The largest category contributing to this increase was Employee Compensation and Benefits, underlining the University's commitment toward recruiting and retaining exceptional faculty and staff to enable preeminence.

State Appropriations, Investment Income, Net, and Noncapital Grants, Contracts, and Gifts are all considered nonoperating revenues as they are not generated by the University's primary, ongoing operations. Net nonoperating revenues and expenses in the 2018-19 fiscal year increased \$134.9 million primarily due to increases in Noncapital Grants, Contracts, and Gifts (\$58.1 million), reflecting strong support provided to the University by its direct support organizations, and Net Increase in the Fair Value of Investments (\$31.7 million) resulting from favorable market conditions.

Overview of Financial Statements

Pursuant to GASB Statement No. 35, the University's financial report includes 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.

The Statement of Net Position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University by employing the accrual basis of accounting, and presents the financial position of the University at a specified time. Net position, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources, 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 Statement of Revenues, Expenses, and Changes in Net Position represents 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. GASB Statement No. 35 categorizes revenues and expenses 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 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 the 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 Operating Expenses table and in the notes to the financial statements.

Certain revenue sources that the University relies on to provide funding for operations, including State Noncapital Appropriations, 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.

Other Revenues are composed of State Capital Appropriations and Capital Grants, Contracts, and Donations.

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 assists 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 reflect the net cash used by the operating activities of the University. Cash flows from capital and related financing activities include activities of the capital funds and related long-term debt. Cash flows from investing activities reflect the net source and use of cash related to the purchases and sales of investments and

income earned on those investments. Cash flows from noncapital financing activities include those activities not covered in the other sections.

The University's basic financial statements include discretely presented component units categorized as follows:

Direct-Support Organizations are separate, not-for-profit corporations organized and operated exclusively to assist the University in achieving excellence by providing supplemental resources from private gifts, bequests, and valuable education support services.

Health Science Center Affiliates are the several corporations closely affiliated with the University of Florida J. Hillis Miller Health Science Center, including the Faculty Practice Plans.

Shands Hospital and Others includes Shands Teaching Hospital and Clinics, Inc., a not-for-profit corporation that is contractually obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the Health Science Center at the University of Florida. In addition, this category includes the University of Florida Self-Insurance Program and the University of Florida Healthcare Education Insurance Company.

Statement of Net Position

The following table 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 (in millions)		
	2019	2018
Assets:		
Current Assets	\$ 1,914.6	\$ 1,723.1
Capital Assets, Net	2,020.0	1,947.5
Other Noncurrent Assets	352.4	307.9
Total Assets	<u>4,287.0</u>	<u>3,978.5</u>
Deferred Outflows of Resources	<u>335.2</u>	<u>314.8</u>
Total Assets and Deferred Outflows of Resources	<u>4,622.2</u>	<u>4,293.3</u>
Liabilities:		
Current Liabilities	470.6	425.6
Noncurrent Liabilities	<u>1,960.7</u>	<u>1,922.3</u>
Total Liabilities	<u>2,431.3</u>	<u>2,347.9</u>
Deferred Inflows of Resources	<u>277.2</u>	<u>189.5</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,708.5</u>	<u>2,537.4</u>
Net Position:		
Net Investment in Capital Assets	1,883.9	1,800.3
Restricted	283.4	206.9
Unrestricted	<u>(253.6)</u>	<u>(251.3)</u>
Total Net Position	<u>\$ 1,913.7</u>	<u>\$ 1,755.9</u>

The increase in assets resulted primarily from an increase in depreciable and nondepreciable capital assets as well as total investments, which increased by \$72.5 million and \$167.5 million, respectively. The increase in capital assets demonstrates the continued importance placed on providing modern facilities to enhance research and education. Investments grew as a result of the University's increase in investment income driven by market performance, as well as broader investment of additional revenues from grants, contracts, and donations.

Due from State increased \$11.9 million because of new construction commitments from the Department of Education, primarily in support of the University's new Data Science and Information Technology Building, an interdisciplinary hub focused on the development and application of computing, communication, and cyber technologies to a broad spectrum of areas including health care, security, technology development, and fundamental science. This co-location of research and education activities from the basic sciences, engineering, and health sciences will facilitate cross-disciplinary data science solutions to a vast array of problems and opportunities.

The large increase in current liabilities is primarily due to an increase of \$48.1 million in Due to Component Units/University. This is the result of a large investment held on behalf of the University of Florida Research Foundation Inc.

The increase in noncurrent liabilities is primarily due to an increase of \$33.2 million in the noncurrent portion of Net Pension Liability. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The change in the Net Pension Liability is driven in part by the market performance for the plan assets as of the measurement date for the plan liabilities. Also contributing to the increase in noncurrent liabilities is a \$21.1 million increase in the noncurrent portion of Capital Improvement Debt Payable, resulting from the issuance of bonds by the University to finance the construction of a new parking facility on campus.

The reported deferred outflows of resources and deferred inflows of resources are also required under GASB Statements No. 68 and No. 75.

Statement of Revenues, Expenses, and Changes in Net Position

The following table summarizes the University's activity for the 2018-19 and 2017-18 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position (in millions)

	2018-19	2017-18
Operating Revenues	\$ 2,009.8	\$ 1,939.3
Operating Expenses	(3,233.5)	(3,058.9)
Operating Loss	(1,223.7)	(1,119.6)
Net Nonoperating Revenues	1,282.6	1,147.7
Income Before Other Revenues	58.9	28.1
Other Revenues	98.9	129.5
Increase in Net Position	157.8	157.6
Net Position, Beginning of Year	1,755.9	2,438.6
Adjustments to Beginning Net Position	-	(840.3)
Net Position, Beginning of Year, as Restated	1,755.9	1,598.3
Net Position, End of Year	\$ 1,913.7	\$ 1,755.9

The University continues to maintain and grow a diverse revenue stream which serves to protect the University from over-reliance on one source of revenues. This contributed to an increase in net position of \$157.8 for the 2018-19 fiscal year despite an increase in operating expenses.

Operating Revenues

The following table summarizes the operating revenues by source that were used to fund operating activities during the 2018-19 and 2017-18 fiscal years:

Operating Revenues (in millions)

	2018-19	2017-18
Grants and Contracts	\$ 1,442.0	\$ 1,350.9
Student Tuition and Fees, Net of Scholarship Allowances	375.0	395.9
Sales and Services of Auxiliary Enterprises	131.4	130.0
Sales and Services of Educational Departments	55.9	57.2
Other	5.5	5.3
Total Operating Revenues	\$ 2,009.8	\$ 1,939.3

Increases in operating revenues during the 2018-19 fiscal year resulted from increases in awards of Nongovernmental Grants and Contracts and Federal Grants and Contracts, which increased by \$55.1 million and \$38.1 million, respectively. This significant increase was largely due to increased funding from the federal government. The University secured increased funding from several prominent federal agencies, including the US Departments of Health and Human Services, Agriculture, and Defense. The growth in research funding, despite an increasingly competitive funding environment, continues to demonstrate the University's success in creating and fostering links between researchers and funding opportunities as well as the growing prestige and reputation of the University's research capabilities in the eyes of collaborators and funding agencies.

Operating Expenses

The following table summarizes the operating expenses for each method of classification for the 2018-19 and 2017-18 fiscal years:

Operating Expenses (in millions)

Natural Classification	2018-19	2017-18
Employee Compensation and Benefits	\$ 2,271.6	\$ 2,150.2
Services and Supplies	577.4	552.2
Scholarships, Fellowships and Waivers *	163.1	144.6
Depreciation	143.1	138.3
Utilities and Communications	78.3	73.6
Total Operating Expenses	\$ 3,233.5	\$ 3,058.9
Functional Classification	2018-19	2017-18
Instruction	\$ 770.5	\$ 734.6
Public Service	742.1	714.1
Research	707.2	676.6
Academic Support	213.7	185.9
Institutional Support	180.5	175.1
Scholarships, Fellowships and Waivers *	163.1	144.6
Depreciation	143.1	138.3
Auxiliary Enterprises	134.0	116.8
Operation and Maintenance of Plant	132.5	128.4
Student Services	46.8	44.5
Total Operating Expenses	\$ 3,233.5	\$ 3,058.9

* Net of Scholarship Allowances of \$224.7 million in the 2018-19 fiscal year and \$208.0 million in the 2017-18 fiscal year.

Operating expenses grew primarily due to a \$121.4 million increase in Employee Compensation and Benefits, which was driven by a rise in the number of faculty and staff working at the University as well as a one-time performance payment granted to University employees during the 2018-19 fiscal year. This increase is in direct alignment with the Faculty 500 hiring initiative and the University's strategic plan, which includes attracting and retaining talented faculty and staff with a competitive compensation package.

Nonoperating Revenues and Expenses

The following table summarizes the University's nonoperating revenues and expenses for the 2018-19 and 2017-18 fiscal years:

Nonoperating Revenues (Expenses) (in millions)

	2018-19	2017-18
State Noncapital Appropriations	\$ 790.4	\$ 766.1
Federal and State Student Financial Aid	231.2	208.2
Noncapital Grants, Contracts, and Gifts	184.5	126.4
Investment Income, Net of Expenses	49.8	55.2
Net Increase in Fair Value of Investments	32.6	0.9
Loss on Disposal of Capital Assets	(0.2)	(1.2)
Interest on Capital Asset-Related Debt	(6.1)	(6.8)
Other Net Nonoperating Revenues (Expenses)	0.4	(1.1)
Net Nonoperating Revenues	\$ 1,282.6	\$ 1,147.7

The increase in Net Nonoperating Revenues of \$134.9 million resulted primarily from increases in Noncapital Grants, Contracts, and Gifts, Federal and State Student Financial Aid, and Net Increase in the Fair Value of Investments. The increase in Noncapital Grants, Contracts and Gifts reflects strong support provided to the University by its direct support organizations. The increase in Federal and State Student Financial Aid is due to the additional funding provided by the State for the Florida Bright Futures Scholarship Program. The Net Increase in the Fair Value of Investments is driven by the market performance of the University's investments during the year, as compared to performance during the previous year.

Other Revenues

The following table summarizes the University's other revenues for the 2018-19 and 2017-18 fiscal years:

Other Revenues (in millions)		
	2018-19	2017-18
State Capital Appropriations	\$ 73.4	\$ 57.8
Capital Grants, Contracts, and Donations	25.5	71.7
Total Other Revenues	\$ 98.9	\$ 129.5

The decrease of \$30.6 million in Other Revenues is primarily related to a large lump sum of monies received in the prior year from Duke Energy in order to satisfy contractual obligations. No such lump sum payment was received during the 2018-19 fiscal year.

Statement of Cash Flows

The following table summarizes cash flows for the 2018-19 and 2017-18 fiscal years:

Condensed Statement of Cash Flows (in millions)		
	2018-19	2017-18
Cash Provided (Used) by:		
Operating Activities	\$ (1,050.8)	\$ (874.3)
Noncapital Financing Activities	1,251.6	1,091.5
Capital and Related Financing Activities	(107.7)	(104.9)
Investing Activities	(86.4)	(112.8)
Net Increase (Decrease) in Cash and Cash Equivalents	6.7	(0.5)
Cash and Cash Equivalents, Beginning of Year	6.3	6.8
Cash and Cash Equivalents, End of Year	\$ 13.0	\$ 6.3

Major sources of funds came from Grants and Contracts (\$1,385.1 million), State Noncapital Appropriations (\$790.4

million), Student Tuition and Fees, Net (\$375.4 million), Federal and State Financial Aid (\$231.2 million), and Noncapital Grants, Contracts, and Gifts (\$184.5 million). Major uses of funds were for Payments to Employees (\$2,185.5 million), Payments to Suppliers for Goods and Services (\$660.4 million), and the Purchase or Construction of Capital Assets (\$203.1 million).

Capital Assets, Capital Expenses and Commitments, and Debt Administration

CAPITAL ASSETS

At June 30, 2019, the University had approximately \$4.4 billion in capital assets, less accumulated depreciation of \$2.4 billion, for net capital assets of \$2.0 billion. Depreciation charges for the current fiscal year totaled \$143.1 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Total Capital Assets, Net (in millions)		
	2019	2018
Land	\$ 12.5	\$ 12.5
Buildings	1,525.4	1,522.3
Infrastructure and Other Improvements	47.9	51.5
Furniture and Equipment	210.6	204.4
Library Resources	46.4	49.2
Property Under Capital Lease and Leasehold Improvements	13.2	14.4
Other Capital Assets	43.1	36.1
Construction in Progress	120.9	57.1
Total Capital Assets (Nondepreciable and Depreciable, Net)	\$ 2,020.0	\$ 1,947.5

Additional information about the University's capital assets is presented in Note 9 to the financial statements.

Total Capital Assets increased in the 2018-19 fiscal year as major construction projects to advance the University's mission, including the Career Resource Center addition and renovation, IFAS Lone Cabbage Oyster Reef Restoration, and Lacy Rabon Plant addition were all completed during the year. The increase in capital assets continues to reflect the University's dedication to an infrastructure and learning environment that supports its mission and strategic plan.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses were incurred during the fiscal year on the University's largest ongoing projects, including the Herbert Wertheim Laboratory for Engineering Excellence (\$22.3 million), Norman Hall Rehabilitation and College of Education

Center Addition (\$17.9 million), and Parking Garage XIV (\$17.0 million), which are expected to transform the learning and research environments of the associated Colleges of Engineering and Education, and support the continued growth of the campus community.

The University's construction commitments at June 30, 2019, are as follows:

Major Construction Commitments (in millions)	
Total Commitments	\$ 439.8
Completed to Date	<u>120.9</u>
Balance Committed	\$ <u>318.9</u>

Additional information about the University's construction commitments is presented in Note 15 to the financial statements.

DEBT ADMINISTRATION

The University is mindful of its financial stewardship and manages resources effectively, including the prudent use of debt to finance capital projects. At June 30, 2019, the University had \$166.9 million in outstanding capital asset-related debt, representing an increase of \$19.7 million, or 13.4%, from the prior fiscal year as a result of debt issued to fund construction of a new parking garage in order to make campus more accessible to students and faculty. The following table summarizes the outstanding capital asset-related debt by type of debt at June 30:

Capital Asset-Related Debt (in millions)		
	<u>2019</u>	<u>2018</u>
Capital Improvement Debt	\$ 159.5	\$ 138.1
Loans and Notes	4.7	5.2
Installment Purchase Agreements	0.5	1.6
Capital Leases	<u>2.2</u>	<u>2.3</u>
Total Capital Asset-Related Debt	\$ <u>166.9</u>	\$ <u>147.2</u>

Additional information about the University's capital asset-related debt is presented in Note 13 to the financial statements.

Economic Factors That Will Affect the Future

The University of Florida remains financially secure and positioned to grow alongside the State of Florida's economy, one of the strongest in the country. The forecast predicts overall stability for the Florida economy, with growth in several key economic indicators – personal income, job growth, employment, and tourism. With job growth and elevated success in the labor market, the

State's unemployment rate continues to improve, with a 3.4% rate in July 2019 that was lower than the nation as a whole.

Standard and Poor's Global Ratings (S&P) issued the University an upgraded rating of AA+ from AA in the previous year and affirmed a stable outlook for the University. The rating's rationale included stable financial trends, ongoing support from the State, an impressive enterprise profile with diverse programs, affordable tuition rates, and good regional state employment and population growth trends. Although the higher education industry is exposed to risk such as cyclical, competitive, and substitution risks, the industry represents a low credit risk when compared to others. In addition to this upgraded rating issued by S&P, the University maintains an Aa2 rating from Moody's Investors Services. These strong ratings not only reflect the University's financial strength and reputation as a leading provider of higher education in the State, but they also continue to allow the University to obtain competitive debt financing to support its mission and realize its strategic plan.

The positive economic conditions and strong State support are reflected in the University's State Appropriations for the coming fiscal year. The General Revenue and Lottery allocation from the State budget totaled \$775.7 million for the 2019-20 fiscal year. As part of that overall allocation, the University receives \$16.4 million in National Ranking Operational Enhancement funds, \$47.3 million in performance funds and \$58.5 million in funding for the preeminence initiative. Furthermore, the budget includes \$16.8 million in funding for the World Class Faculty & Scholar Program and \$16.7 million in funding for the State University Professional and Graduate Degree Excellence Program. This funding will be used to support the University's initiative to hire additional faculty in the 2019-20 fiscal year.

The 2019-20 fiscal year budget clearly reflects the sustained commitment of the Legislature and the Governor to support the University of Florida in its goal of becoming a top five public research university that the state, nation, and world look to for leadership.

Requests for Information

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplementary information, or requests for additional financial information should be addressed to Alan M. West, Assistant Vice President and University Controller, P.O. Box 113200, Gainesville, Florida 32611.

Statement of Net Position

As of June 30, 2019 (amounts expressed in thousands)

	University of Florida		Component Units		
	2019	2018	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
ASSETS					
Current Assets:					
Cash and Cash Equivalents (Note 1)	\$ 2,559	\$ 1,234	\$ 36,788	\$ 86,326	\$ 121,795
Investments (Note 5)	1,640,768	1,517,714	127,594	45,485	291,520
Accounts Receivable, Net (Note 6)	99,473	89,350	95,511	77,588	362,055
Loans and Notes Receivable, Net (Note 6)	2,549	2,808	-	-	-
Due From State (Note 7)	100,287	88,357	-	-	871
Due From Component Units/University (Note 8)	61,241	17,450	206,790	52,074	110,576
Inventories	4,491	3,947	175	-	53,580
Other Current Assets	3,241	2,250	4,659	2,310	98,331
Total Current Assets	1,914,609	1,723,110	471,517	263,783	1,038,728
Noncurrent Assets:					
Restricted Cash and Cash Equivalents (Note 1)	10,462	5,082	35,634	23,058	29,460
Restricted Investments (Note 5)	172,728	116,222	1,948,172	8,831	599,654
Other Noncurrent Investments (Note 5)	141,308	153,325	-	-	-
Loans and Notes Receivable, Net (Note 6)	27,717	33,143	-	-	-
Depreciable Capital Assets, Net (Note 9)	1,882,135	1,842,199	199,905	82,726	1,190,953
Nondepreciable Capital Assets (Note 9)	137,910	105,330	79,855	27,515	139,868
Other Noncurrent Assets	78	74	15,675	1,657	91,650
Total Noncurrent Assets	2,372,338	2,255,375	2,279,241	143,787	2,051,585
TOTAL ASSETS	4,286,947	3,978,485	2,750,758	407,570	3,090,313
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Outflows of Pension Resources (Note 11)	309,874	298,571	-	-	71,209
Deferred Outflows of Other Postemployment Benefits Payable (Note 11)	16,164	16,260	-	-	1,829
Other Deferred Outflows (Note 11)	9,184	-	-	-	51,301
TOTAL DEFERRED OUTFLOWS OF RESOURCES	335,222	314,831	-	-	124,339
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,622,169	\$ 4,293,316	\$ 2,750,758	\$ 407,570	\$ 3,214,652
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 91,269	\$ 88,841	\$ 34,471	\$ 18,571	\$ 260,532
Salaries and Wages Payable	51,092	48,455	-	11,648	97,461
Due To Component Units/University (Note 8)	221,822	173,712	125,915	20,078	107,258
Unearned Revenue (Note 12)	58,199	63,846	65,337	2,183	-
Deposits Held in Custody	6,165	6,297	12	175	-
Other Current Liabilities	-	-	5,693	-	-
Long-Term Liabilities - Current Portion: (Note 13)					
Capital Improvement Debt Payable	9,547	9,302	-	-	-
Bonds Payable	-	-	6,650	3,182	19,168
Loans and Notes Payable	418	408	1,018	280	-
Installment Purchase Agreements Payable	452	1,107	-	-	669
Capital Leases Payable	187	176	-	106	2,433
Compensated Absences Payable	11,377	13,215	373	-	-
Other Postemployment Benefits Payable	15,774	15,774	-	-	-
Net Pension Liability (Note 14)	4,198	4,422	-	-	-
Liability for Self-Insured Claims	-	-	21,406	-	8,231
Total Current Liabilities	470,500	425,555	260,875	56,223	495,752

Statement of Net Position

As of June 30, 2019 (amounts expressed in thousands)

	University of Florida		Component Units		
	2019	2018	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
Noncurrent Liabilities: (Note 13)					
Capital Improvement Debt Payable	\$ 149,953	\$ 128,813	\$ -	\$ -	\$ -
Bonds Payable	-	-	119,375	88,699	990,592
Loans and Notes Payable	4,319	4,737	499	7,720	-
Installment Purchase Agreements Payable	48	505	-	-	1,796
Capital Leases Payable	1,980	2,167	-	224	10,065
Compensated Absences Payable	113,459	112,014	3,375	-	-
Other Postemployment Benefits Payable	1,027,774	1,053,330	-	-	6,471
Net Pension Liability (Note 14)	639,920	606,749	-	-	-
Liability for Self-Insured Claims	-	-	-	-	26,064
Other Noncurrent Liabilities	23,286	13,969	54,083	1,685	84,462
Total Noncurrent Liabilities	1,960,739	1,922,284	177,332	98,328	1,119,450
TOTAL LIABILITIES	2,431,239	2,347,839	438,207	154,551	1,615,202
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows of Pension Resources (Note 11)	60,653	33,549	432	-	26,709
Deferred Inflows of Other Postemployment Benefits Payable (Note 11)	216,538	155,970	-	-	510
Other Deferred Inflows (Note 11)	-	-	19,140	-	5,426
TOTAL DEFERRED INFLOWS OF RESOURCES	277,191	189,519	19,572	-	32,645
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,708,430	2,537,358	457,779	154,551	1,647,847
NET POSITION					
Net Investment in Capital Assets	1,883,887	1,800,313	174,987	33,087	307,259
Restricted:					
Nonexpendable:					
Endowment	-	-	1,362,410	-	276
Expendable:					
Endowment	-	-	552,492	-	8,998
Loans	40,117	39,700	-	-	-
Capital Projects	195,724	171,029	-	-	-
Debt Service	5,575	4,289	-	-	-
Other	41,982	(8,110)	11,733	-	190,479
Unrestricted (Note 4)	(253,546)	(251,263)	191,357	219,932	1,059,793
TOTAL NET POSITION	1,913,739	1,755,958	2,292,979	253,019	1,566,805
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 4,622,169	\$ 4,293,316	\$ 2,750,758	\$ 407,570	\$ 3,214,652

The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenses, and Changes In Net Position

for the Fiscal Year Ended June 30, 2019 (amounts expressed in thousands)

	University of Florida		Component Units		
	2018-19	2017-18	Direct-Support Organizations	Health Science Center Affiliates	Shands Hospital and Others
OPERATING REVENUES					
Student Tuition and Fees	\$ 599,683	\$ 603,859	\$ -	\$ -	\$ -
Scholarship Allowances	(224,652)	(208,007)	-	-	-
Student Tuition and Fees, Net of Scholarship Allowances	375,031	395,852	-	-	-
Federal Grants and Contracts	497,867	459,752	-	-	-
State and Local Grants and Contracts	49,871	52,039	-	-	-
Nongovernmental Grants and Contracts	894,253	839,154	-	-	-
Sales and Services of Auxiliary Enterprises	131,381	129,994	-	-	-
Sales and Services of Educational Departments	55,886	57,245	-	-	-
Sales and Services of Component Units	-	-	194,543	-	-
Hospital Revenues	-	-	-	929,882	2,320,100
Gifts and Donations - Component Units	-	-	107,906	-	-
Royalties and Licensing Fees - Component Units	-	-	84,866	-	-
Interest on Loans and Notes Receivable	1,130	1,194	-	-	-
Other Operating Revenues	4,381	4,097	5,537	98,705	45,140
Total Operating Revenues	2,009,800	1,939,327	392,852	1,028,587	2,365,240
OPERATING EXPENSES					
Employee Compensation and Benefits	2,271,619	2,150,165	1,656	100,206	1,046,620
Services and Supplies	577,319	552,153	399,680	233,287	1,040,506
Utilities and Communications	78,288	73,636	-	-	-
Scholarships, Fellowships, and Waivers, Net	163,122	144,627	-	-	-
Depreciation	143,106	138,306	11,483	9,350	118,406
Self-Insured Claims and Expenses	-	-	-	-	6,955
Total Operating Expenses (Note 19)	3,233,454	3,058,887	412,819	342,843	2,212,487
Operating Income (Loss)	(1,223,654)	(1,119,560)	(19,967)	685,744	152,753
NONOPERATING REVENUES (EXPENSES)					
State Noncapital Appropriations	790,425	766,103	4,000	-	7,050
Federal and State Student Financial Aid	231,233	208,173	-	-	-
Noncapital Grants, Contracts, and Gifts	184,502	126,365	-	-	-
Investment Income	52,773	59,848	126,719	3,144	59,359
Net Increase (Decrease) in the Fair Value of Investments	32,626	927	1,113	(3,432)	6,288
Investment Expenses	(3,096)	(4,624)	(271)	(1,888)	-
Other Nonoperating Revenues	3,419	2,653	8,706	-	4,337
Gain (Loss) on Disposal of Capital Assets	(179)	(1,182)	(4,444)	(85)	6,771
Interest on Capital Asset-Related Debt	(6,124)	(6,771)	(3,696)	-	(30,731)
Other Nonoperating Expenses	(2,972)	(3,766)	(41,389)	(685,758)	(112,172)
Net Nonoperating Revenues (Expenses)	1,282,607	1,147,726	90,738	(688,019)	(59,098)
Income (Loss) Before Other Revenues	58,953	28,166	70,771	(2,275)	93,655
State Capital Appropriations	73,379	57,819	-	-	-
Capital Grants, Contracts, and Donations	25,449	71,627	-	-	-
Additions to Permanent Endowments	-	-	53,828	-	-
Total Other Revenues	98,828	129,446	53,828	-	-
Increase (Decrease) in Net Position	157,781	157,612	124,599	(2,275)	93,655
Net Position, Beginning of Year	1,755,958	2,438,619	2,251,156	255,294	1,473,150
Adjustment to Beginning Net Position (Note 3)	-	(840,273)	(82,776)	-	-
Adjusted Net Position, Beginning of Year, as Restated	1,755,958	1,598,346	2,168,380	255,294	1,473,150
Net Position, End of Year	\$ 1,913,739	\$ 1,755,958	\$ 2,292,979	\$ 253,019	\$ 1,566,805

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

for the Fiscal Year Ended June 30, 2019 (amounts expressed in thousands)

	University of Florida	
	2018-2019	2017-2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and Fees, Net	\$ 375,407	\$ 389,360
Grants and Contracts	1,385,052	1,350,247
Sales and Services of Auxiliary Enterprises	131,179	128,147
Sales and Services of Educational Departments	56,760	58,240
Repayment of Loans and Notes Receivable from Students	12,210	11,679
Interest on Loans Receivable	1,132	1,213
Other Operating Receipts	3,071	2,826
Payments to Employees	(2,185,518)	(2,044,822)
Payments to Suppliers for Goods and Services	(660,434)	(619,443)
Payments to Students for Scholarships and Fellowships	(163,122)	(144,627)
Loans Issued to Students	(6,525)	(7,139)
Net Cash Used by Operating Activities	(1,050,788)	(874,319)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Noncapital Appropriations	790,425	766,103
Federal and State Financial Aid	231,233	208,173
Noncapital Grants, Contracts, and Gifts	184,502	126,365
Direct Loan Program Receipts	233,050	240,268
Direct Loan Program Disbursements	(233,119)	(240,213)
Net Change in Funds Held for Others	47,343	(4,794)
Other Nonoperating Receipts	1,617	2,622
Other Nonoperating Disbursements	(3,459)	(7,056)
Net Cash Provided by Noncapital Financing Activities	1,251,592	1,091,468
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Debt	31,045	-
State Capital Appropriations	61,449	45,564
Capital Grants, Contracts, and Donations	16,413	71,327
Proceeds from Sales of Capital Assets	1,834	803
Other Receipts for Capital Projects	1,811	31
Purchase or Construction of Capital Assets	(203,123)	(200,238)
Principal Paid on Capital Debt and Leases	(10,961)	(15,579)
Interest Paid on Capital Debt and Leases	(6,203)	(6,771)
Net Cash Used by Capital and Related Financing Activities	(107,735)	(104,863)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	2,215,136	1,835,693
Purchase of Investments	(2,353,683)	(2,004,388)
Investment Income	52,183	55,900
Net Cash Used by Investing Activities	(86,364)	(112,795)
Net Increase (Decrease) in Cash and Cash Equivalents	6,705	(509)
Cash and Cash Equivalents, Beginning of Year	6,316	6,825
Cash and Cash Equivalents, End of Year	\$ 13,021	\$ 6,316
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,223,654)	\$ (1,119,560)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	143,403	138,306
Change in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Receivables, Net	(2,245)	(2,516)
Due From Component Units	(43,791)	(2,126)
Inventories	(544)	311
Other Assets	(1,029)	(118)
Accounts Payable	(3,550)	6,152
Salaries and Wages Payable	2,637	4,276
Unearned Revenue	(5,647)	32
Deposits Held in Custody	169	(142)
Other Postemployment Benefits Payable	(25,556)	(102,388)
Compensated Absences Payable	(393)	6,563
Net Pension Liability	32,947	46,126
Deferred Outflows - Pension and OPEB	(11,207)	(31,424)
Deferred Inflows - Pension and OPEB	87,672	182,189
NET CASH USED BY OPERATING ACTIVITIES	\$ (1,050,788)	\$ (874,319)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES

The following items are recognized on the Statement of Net Position or the Statement of Revenues, Expenses, and Changes in Net Position, but are not cash transactions for the Statement of Cash Flows:

Unrealized gain on investments	\$ 32,626
Loss on refunded 2007A Parking Bonds will be amortized over the life of the 2018A refunding Parking Bonds	\$ (209)
Loss on disposal of capital assets	\$ (179)

The accompanying notes are an integral part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



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1. Summary of Significant Accounting Policies

The significant accounting policies followed by the University of Florida are described below to enhance the usefulness of the financial statements.

A. REPORTING ENTITY

The University of Florida 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 thirteen members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five 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 Florida Board of Governors' Regulations. The Trustees select 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 or incomplete. Based on the application of these criteria, the University of Florida is a component unit of the state of Florida, and its financial balances and activities are discretely presented in the State's Comprehensive Annual Financial Report.

B. DISCRETELY PRESENTED COMPONENT UNITS

Based on the application of the criteria for determining component units, certain affiliated organizations are required to be included within the University reporting entity as discretely presented component units because of the significance of their relationship with the University. These organizations are legally separate from the University and are governed by separate boards. The University

further categorizes its component units as Direct-Support Organizations, Health Science Center Affiliates, and Shands Hospital and Others. An annual audit of each organization'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 is presented in Note 20.

However, financial activities of certain component units are not included in the University's financial statements and are denoted below with an asterisk (*). The total assets and operating revenues related to these component units are \$25 million and \$18 million, respectively. These amounts represent less than one percent of the total aggregate component units' assets and operating revenues.

C. DIRECT-SUPPORT ORGANIZATIONS

The University's direct-support organizations, as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011, are considered component units of the University of Florida and therefore, the latest audited financial statements of these organizations are discretely presented in the financial statements of the University. These legally separate, not-for-profit corporations are organized and operated exclusively to assist the University in achieving excellence by providing supplemental resources from private gifts and bequests and valuable education support services. Florida Statutes authorize 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 Florida Foundation, Inc.**, solicits, collects, manages, and directs contributions to the various academic departments and programs of the University and assists the University in fund raising, public relations, and maintenance of alumni records. Their financial statements include the activities of the University of Florida Alumni Association, Inc.

- **The University Athletic Association, Inc.**, conducts various inter-collegiate athletic programs for and on behalf of the University.

- **University of Florida Research Foundation, Inc.**, promotes, encourages, and assists research activities of the University through income derived from or related to the development and commercialization of intellectual properties, which include inventions, discoveries, processes, and work products.

- **GatorCare Health Management Corporation** coordinates and facilitates the management of the self-insured health insurance plan of the University and its participating affiliated employers, collecting and paying employer and employee premiums.

■ **Florida Foundation Seed Producers, Inc.**, supplies Florida farmers and producers with crop seed and nursery stock. This organization stocks foundation seed of the best-known varieties acceptable to Florida climate and soils in adequate quantities and at reasonable prices.

■ **University of Florida Development Corporation** develops and maintains Innovation Square where the University-owned Florida Innovation Hub is located.

■ **Gator Boosters, Inc.**, solicits funds for the benefit of the University athletic programs.

■ **Citrus Research and Development Foundation, Inc.**, advances disease and production research and product development activities to ensure the survival and competitiveness of Florida's citrus growers through innovation.

■ **University of Florida Alumni Association, Inc.**, supports activities of the alumni of the University of Florida. Its financial transactions are reflected in the financial statements of the University of Florida Foundation, Inc.

■ **Florida 4-H Club Foundation, Inc.**,* promotes the educational objectives of the 4-H Youth Development Program, an official part of the Florida Cooperative Extension Service.

■ **University of Florida Leadership and Education Foundation, Inc.**,* furthers agriculture and natural resource education and related activities, promotes agriculture and natural resources leadership, and makes contributions to and confer benefits upon the University.

■ **University of Florida Investment Corporation*** promotes the educational purposes of the University of Florida by providing investment research, advice, counsel, and management to and for the University Board of Trustees and affiliated organizations of the University.

■ **UF Historic St. Augustine, Inc.**,* ensures the long-term preservation and interpretation of State-owned historic properties in St. Augustine.

■ **Southwest Florida Research and Education Foundation, Inc.**,* provides research and educational support to the University of Florida Southwest Florida Research and Education Center.

■ **Cattle Enhancement Board, Inc.**,* promotes research, education and extension at, or for the benefit of, the Institute of Food and Agricultural Sciences at the University of Florida on issues related to the Florida cattle industry, including, but not limited to production, disease prevention, forage development, and genetic research and technology.

In June 2019, the Trustees decertified the following direct-support organizations: The University of Florida Law Center Association, Inc., Citrus Research and Education Foundation, Inc., and Treasure Coast Agricultural Research Foundation, Inc.

D. HEALTH SCIENCE CENTER AFFILIATES

The corporations listed below, except Faculty Clinic, Inc., are Faculty Practice Plans, as provided for in Board of Governors Regulation 9.017. The Faculty Practice Plans provide educationally-oriented clinical practice settings and opportunities through which faculty members provide health, medical, veterinary, and dental care to patients as an integral part of their academic activities and their employment as faculty. Because these faculty practice activities generate income, the colleges are authorized to regulate fees generated from faculty practice and maintain Faculty Practice Plans for the orderly collection and distribution of fees. These organizations provide significant support for the clinical instruction function of the University of Florida J. Hillis Miller Health Science Center (JHMHC) and are component units of the University of Florida.

■ **Florida Clinical Practice Association, Inc.**, bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Medicine.

■ **University of Florida Jacksonville Physicians, Inc.**, bills and collects professional fees from the clinical practice of the University of Florida physicians in order to fund and promote the educational, clinical and research missions, and support the clinical activities, of the Jacksonville campus of the College of Medicine.

■ **Faculty Associates, Inc.**, bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Dentistry.

■ **Florida Veterinary Medicine Faculty Association, Inc.**, bills and collects clinical professional fees to support the educational, research, and service programs of the University of Florida College of Veterinary Medicine.

■ **University of Florida College of Pharmacy Faculty Practice Association, Inc.**, performs billing and collection of fees to support the educational, research, and service programs of the University of Florida College of Pharmacy.

■ **Faculty Clinic, Inc.**,* operates primarily as a facility management company that leases space to Shands Jacksonville and University of Florida Jacksonville Physicians, Inc.

■ **University of Florida College of Nursing Faculty Practice Association, Inc.**,* performs billing and collection of professional fees to support the educational, research, and service programs of the University of Florida College of Nursing.



■ **Florida Health Professions Association, Inc.,*** performs billing and collection of clinical professional fees to support the educational, research, and service programs of the University of Florida College of Public Health and Health Professions.

E. SHANDS HOSPITAL AND OTHERS

■ **Shands Teaching Hospital and Clinics, Inc.,** (Shands) was incorporated October 15, 1979, as a not-for-profit corporation. Shands, a major tertiary care teaching institution, is a leading referral center in the state of Florida and the southeast United States and facilitates medical education programs at the University.

Shands entered into a contractual agreement with the State Board of Education as of July 1, 1980, as subsequently restated and amended, to provide for the use of hospital facilities at the JHMHC through December 31, 2057, with renewal provisions. The contractual agreement also provides for the transfer to Shands of all other assets and liabilities arising from the operation of the hospital facilities prior to July 1, 1980. At termination of the contractual agreement, the net position of Shands reverts to the State Board of Education. Legal title to all buildings and improvements transferred to Shands remains with the state of Florida during the term of the contractual agreement. The contractual agreement provides for a 12-month grace period for any event of default, other than the bankruptcy of Shands. In addition, the contractual agreement limits the right of the State Board of Education to terminate the contractual agreement solely to the circumstance in which Shands declares bankruptcy and, in such event, requires net revenues derived from the operation of the hospital facilities to continue to be applied to the payment of Shands' debts.

Under the terms of the contractual agreement, Shands is obligated to manage, operate, maintain, and insure the hospital facilities in support of the programs of the JHMHC and further agrees to contract with the State Board of Education for the provision of these programs. By operation of law, the University of Florida Board of Trustees has become the successor-in-interest to the State Board of Education.

■ **Shands Jacksonville HealthCare, Inc.,** (Shands Jacksonville) is a Florida not-for-profit corporation. Shands Jacksonville was organized primarily to provide healthcare and related services to the community, including the City of Jacksonville and surrounding counties, and to support the teaching and research missions of the University.

■ **University of Florida Self-Insurance Program** (the Program) was created by the Florida Board of Regents, succeeded by the Florida Board of Governors, pursuant to Section 1004.24, Florida Statutes. The Program provides comprehensive general liability and professional liability (malpractice) coverage for the University of Florida and affiliated teaching hospitals that are providing education in healthcare or veterinary services.

■ **University of Florida Healthcare Education Insurance Company** (HEIC) was created on September 1, 1994, as a self-insurance mechanism created pursuant to Section 1004.24, Florida Statutes. HEIC writes coverage for the participants in the Self-Insurance Program (the Program) for loss exposure above the Program's retention. HEIC obtains excess loss reinsurance coverage from commercial insurance carriers for certain layers of exposure.

F. 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 of Florida 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 entity-wide reporting including the following components:

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

G. 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 and its component unit'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 non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University and its component units, including those which previously followed FASB as discussed in Note 2, follow GASB standards of accounting and financial reporting.

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 on capital assets. Nonoperating revenues include state noncapital appropriations, federal and state student financial aid, and investment income. 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 scholarships, discounts, and allowances. Tuition scholarships, discounts, and allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third-party making payments 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 scholarships, discounts, and 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 to be 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*.

H. CASH AND CASH EQUIVALENTS

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

I. INVESTMENTS AND FAIR VALUE MEASUREMENT

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. Level 3 inputs are significant unobservable inputs. The University reports certain investments at net asset value as allowed per GASB Statement No. 72, *Fair Value Measurement and Application*.

J. CAPITAL ASSETS

University capital assets consist of land, construction in progress, intangibles work in progress, works of art and historical treasures, buildings, infrastructure and other improvements, furniture and equipment, library resources, property under capital lease and leasehold improvements, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value on 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 \$4 million for intangible assets, which includes computer software, \$5,000 for tangible personal property, and \$250 for library resources. The costs of all new buildings and projects adding new square footage are capitalized. Infrastructure and leasehold improvements have a \$250,000 capitalization threshold. For building renovations, the threshold is \$250,000, or the entire

amount if the costs are at least 25% of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 5 to 50 years, depending on construction
- Infrastructure and Other Improvements – 10 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property Under Capital Lease and Leasehold Improvements – up to 50 years
- Computer Software – 5 years

K. NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, net pension liabilities, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt payable is reported net of unamortized premiums or discounts and losses on refunding. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method. Losses on refunding are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method.

L. PENSIONS

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

2. Reporting Changes

The University implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for asset retirement obligations (AROs) of governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires additional note disclosures about a government’s AROs.

The University also implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings*

and *Direct Placements*, which amends GASB Statement No. 34, *Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*, paragraph 119; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, paragraphs 10 and 12. This statement improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and clarifies which liabilities governments should include when disclosing information related to debt. This Statement also requires that additional essential information related to debt be disclosed in notes to financial statements.

The Florida Legislature passed, and the Governor signed into law Chapter 2018-004, Laws of Florida, a provision that changed Section 1004.28, Florida Statutes, which addresses University’s direct-support organizations (DSO). With this change, the University Board of Trustees is required to approve all DSO’s board members. Under current accounting guidance, a key factor in determining whether a DSO should report under the FASB versus the GASB is board control. With the change in Florida Statutes, the University has control of the boards of the DSOs and the FASB reported model is no longer appropriate. Three discretely presented component units reported under FASB prior to the legislative change and converted from FASB to GASB reporting model for the 2018-19 fiscal year.

3. Adjustments to Beginning Net Position

The beginning net position of the University of Florida Foundation, Inc. (Foundation) was decreased by \$82,776,224 as a result of the change in the financial accounting framework as discussed in Note 2. The adjustment in net position was due to the elimination of \$78,818,622 of endowment pledges receivable, a decrease of \$14,927,864 due to the restatement of split-interest agreements and external trusts to deferred inflows of resources under GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, and an increase of \$10,970,262 due to the restatement of the FASB pension liability to a pension asset under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Table 1 summarizes adjustment to the beginning net position of the Foundation reported in the component units’ Statement of Revenues, Expenses, and Changes in Net Position:

Table 1. Adjustments to Beginning Net Position - Component Units	
Description	Direct-Support Organizations
University of Florida Foundation, Inc.	\$ (82,776,224)
Total Adjustments to Beginning Net Position	\$ (82,776,224)

4. Deficit Net Position in Individual Funds

The University reported a net position which included a deficit in unrestricted funds as shown in Table 2. This deficit can be attributed to the full recognition of long-term liabilities (i.e. net pension liabilities – GASB Statement No. 68 – and OPEB payable – GASB Statement No. 75) in these funds.

Table 2. Deficit Net Position in Individual Funds

Description	Net Position
Unrestricted	\$ (253,546,410)
Total	\$ (253,546,410)

5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements

governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University's 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; 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; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's 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. Investments of the University and its component units at June 30, 2019, are reported at fair value and shown in Tables 3 through 6.

Table 3. University Investments

Investments by Fair Value Level	Total	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)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 1,016,288,135	\$ -	\$ -	\$ 1,016,288,135
State Board of Administration Debt Service Accounts	34,965	34,965	-	-
Total Investments by Fair Value Level	1,016,323,100	\$ 34,965	\$ -	\$ 1,016,288,135
Investments Measured at the Net Asset Value (NAV)				
Private Equity Funds	938,480,480			
Total University Investments	\$ 1,954,803,580			

Table 4. University Investments Measured at the NAV

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private Equity Funds	\$ 938,480,480	\$ -	N/A	N/A

University investments measured at net asset value are comprised of the following category:

- **Private Equity Funds** - This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies.

Table 5. Component Unit Investments

Investments by Fair Value Level	Total	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)
External Investment Pool:				
State Treasury Special Purpose Investment Account	\$ 118,026,429	\$ -	\$ -	\$ 118,026,429
Commercial Paper	10,575,550	10,575,550	-	-
US Guaranteed Obligations	14,887,200	13,315,397	1,571,803	-
Federal Agency Obligations	1,890,465	-	1,890,465	-
Domestic Bonds and Notes	38,396,709	13,754,000	24,642,709	-
International Bonds and Notes	745,174	-	745,174	-
Domestic Stock	606,950	586,879	20,071	-
Bond Mutual Funds	178,882,561	131,219,343	47,663,218	-
Equity Mutual Funds	151,018,354	98,655,668	52,362,686	-
Other Investments	32,684,722	18,887,527	13,797,195	-
Private Equity Funds	2,292,015	-	-	2,292,015
Total Investments by Fair Value Level	550,006,129	\$ 286,994,364	\$ 142,693,321	\$ 120,318,444
Investments Measured at the Net Asset Value (NAV)				
International Equity	85,128			
Real Estate Investments (Directly Owned)	8,423,607			
Hedge Funds	5,660,728			
Private Equity Funds	2,408,624,662			
Total Investments Measured at the NAV	2,422,794,125			
Total Investments Measured at Fair Value	2,972,800,254			
Other				
Commercial Paper	6,545,000			
Money Market Funds	5,213,649			
Cash Surrender Value of Life Insurance Policy	491,913			
Cash Collateral on Deposit with Swap Counterparty	26,410,000			
Other Investments	9,795,585			
Total Other Investments	48,456,147			
Total Component Unit Investments	\$ 3,021,256,401			

Table 6. Component Unit Investments Measured at the NAV

Investments Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
International Equity	\$ 85,128	\$ -	Illiquid	N/A
Real Estate Investments	8,423,607	-	Illiquid	N/A
Hedge Funds	5,660,728	-	Quarterly	45 Days
Private Equity Funds	2,408,624,662	271,893,616	Monthly	30 Days
Total Component Unit Investments	\$ 2,422,794,125	\$ 271,893,616		

Component unit investments measured at net asset value are comprised of the following categories:

■ **International Equity** – This category includes an investment in a foreign-based publicly-traded company focused on providing law enforcement with new tools and technology.

■ **Real Estate Investments** – This category includes an investment in the form of real estate with donor restrictions. The real estate is held at fair value less estimated costs to sell.

■ **Hedge Funds** – This category includes an investment in a hedge fund in which the fund manager is authorized to invest in a broad spectrum of securities that include, but are not limited to, the following: equity and debt securities, currency, commodities, foreign debt, options, futures, and swaps.

■ **Private Equity Funds** – This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies.

A. EXTERNAL INVESTMENT POOLS

The University and its discretely presented component units (see Note 1) reported investments at fair value totaling \$1,016,288,135 and \$118,026,429, respectively, at June 30, 2019, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The SPIA investment pool carried a credit rating of AA-f by Standard & Poor's and had an effective duration of 2.71 years and fair value factor of 1.0103 at June 30, 2019. Participants contribute to the SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

B. STATE BOARD OF ADMINISTRATION DEBT SERVICE ACCOUNTS

The University reported investments at fair value totaling \$34,965 at June 30, 2019, in the State Board of Administration (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 six 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 the financial statements of the State's Comprehensive Annual Financial Report.

C. OTHER INVESTMENTS

In addition to external investment pools, the University and its discretely presented component units invested in various debt and equity securities, money market funds, and mutual funds. For the University, the majority of the other investments are private equity funds managed by the University of Florida Investment Corporation (UFICO). For the University's discretely presented component units, other investments are those reported primarily by the University of Florida Foundation, Inc., The University Athletic Association, Inc., Florida Clinical Practice Association, Inc., Shands Teaching Hospital and Clinics, Inc., Shands Jacksonville HealthCare, Inc., and the University of Florida Self-Insurance Program. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools:



■ **Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University’s investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University’s component units in debt securities, bonds and notes, and bond mutual funds, and their future maturities at June 30, 2019, are shown in Table 7.

■ **Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States Government or obligations explicitly guaranteed by the United States Government are not considered to have credit risk and do not require disclosure of credit quality. The private equity funds are unrated. At June 30, 2019, the University’s component units had bonds and notes and bond mutual funds, with quality ratings by nationally recognized rating agencies (e.g., Moody’s Investors Service), as shown in Table 8.

■ **Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk relates to investment securities that are held by someone other than the University and are not registered in the University’s name. The University has no formal policy on custodial credit risk. The component units manage their custodial credit risk based on various investment policies, which may be obtained separately from the component units.

■ **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the University’s

investments in a single issuer. The University has no formal policy on concentration of credit risk. The component units manage their concentration of credit risk based on various investment policies, which may be obtained separately from the component units.

6. Receivables

A. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for grant and contract reimbursements due from third parties, student tuition and fees, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. Accounts receivable, net of an allowance for uncollectible accounts, reported as of June 30, 2019, are summarized in Table 9.

Table 9. Accounts Receivable

Description	
Grants and Contracts	\$ 75,065,207
Student Tuition and Fees	15,209,117
Sales and Services of Auxiliary Enterprises	4,972,629
Interest	3,060,610
Sales and Services of Educational Departments	1,165,289
Total Accounts Receivable, Net	\$ 99,472,852

B. 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.

Table 7. Component Units Debt Investment Maturities

Types of Investments	Fair Value	Investment Maturities (in years)			
		Less than 1	1-5	6-10	More than 10
United States Government and Federally-Guaranteed Obligations	\$ 14,887,200	\$ 13,315,397	\$ 79,894	\$ 348,556	\$ 1,143,353
Federal Agency Obligations	1,890,465	1,890,465	-	-	-
Bonds and Notes	39,141,883	22,666,291	2,344,905	14,130,687	-
Bond Mutual Funds	178,882,561	3,978,522	157,610,003	17,294,036	-
Total	\$ 234,802,109	\$ 41,850,675	\$ 160,034,802	\$ 31,773,279	\$ 1,143,353

Table 8. Component Units Debt Investments Quality Ratings

Types of Investments	Fair Value	AAA/Aaa	AA/Aa	A/Ba	Less than A/Ba or Not Rated
Federal Agency Obligations	\$ 1,890,465	\$ 1,111,432	\$ 779,033	\$ -	\$ -
Bonds and Notes	39,141,883	9,509,053	2,944,860	7,853,163	18,834,807
Money Market Funds	5,213,649	5,141,450	-	-	72,199
Bond Mutual Funds	178,882,561	63,213,470	60,966,588	31,024,636	23,677,867
Total	\$ 225,128,558	\$ 78,975,405	\$ 64,690,481	\$ 38,877,799	\$ 42,584,873

C. ALLOWANCES FOR UNCOLLECTIBLE RECEIVABLES

Allowances for uncollectible accounts and loans and notes receivable are reported based upon management's best estimate as of fiscal year-end, considering type, age, collection history, and other factors considered appropriate. Accounts receivable for student tuition and fees, various sales and services provided to students and third parties, and interest are reported net of an allowance of \$11,431,550, which is 31.9% of total related accounts receivable. Loans and notes receivable are reported net of an allowance of \$4,683,265, which is 13.4% of total related loans and notes receivable. No allowance has been accrued for grants and contracts receivable. University management considers these to be fully collectible.

7. Due From State

This amount consists of \$100,286,587 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, and general revenue allocations due from the State to the University for construction of University facilities.

8. Due From and To Component Units/University

Component units' due from and due to amounts include receivables and payables between the various component unit columns. Some component units are not presented (see Note 1). Accordingly, amounts reported by the University as due from and to component units on the Statement of Net Position may not agree with amounts reported by the component units as due from and to the University.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2019, is presented in Table 10. The Buildings and Buildings Accumulated Depreciation balances were adjusted by \$81,076,066 and \$71,349,030, respectively, for a net increase of \$9,727,036 related to assets leased to Shands Teaching Hospital and Clinics, Inc. and that were determined to belong to the University.

Table 10. Capital Assets

Description	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 12,467,035	\$ -	\$ -	\$ -	\$ 12,467,035
Construction in Progress	57,113,722	-	145,344,594	81,598,064	120,860,252
Intangibles Work in Progress	31,239,675	-	7,114,177	38,353,852	-
Works of Art and Historical Treasures	4,509,913	-	103,836	31,327	4,582,422
Total Nondepreciable Capital Assets	105,330,345	-	152,562,607	119,983,243	137,909,709
Depreciable Capital Assets:					
Buildings	2,850,423,924	81,076,066	81,072,985	489,635	3,012,083,340
Infrastructure and Other Improvements	133,978,878	-	582,219	-	134,561,097
Furniture and Equipment	641,500,542	-	55,191,920	36,851,434	659,841,028
Library Resources	351,964,571	-	9,329,927	1,230,001	360,064,497
Property Under Capital Lease and Leasehold Improvements	23,113,034	-	-	-	23,113,034
Computer Software	24,533,000	-	38,353,853	-	62,886,853
Other Capital Assets	927,545	-	6,406	55,749	878,202
Total Depreciable Capital Assets	4,026,441,494	81,076,066	184,537,310	38,626,819	4,253,428,051
Less Accumulated Depreciation:					
Buildings	1,328,106,933	71,349,030	87,493,362	298,122	1,486,651,203
Infrastructure and Other Improvements	82,472,037	-	4,135,363	-	86,607,400
Furniture and Equipment	437,121,761	-	38,915,615	26,796,062	449,241,314
Library Resources	302,745,819	-	11,173,807	290,501	313,629,125
Property Under Capital Lease and Leasehold Improvements	8,642,181	-	1,284,621	-	9,926,802
Computer Software	24,533,000	-	-	-	24,533,000
Other Capital Assets	621,097	-	103,123	19,855	704,365
Total Accumulated Depreciation	2,184,242,828	71,349,030	143,105,891	27,404,540	2,371,293,209
Total Depreciable Capital Assets, Net	1,842,198,666	9,727,036	41,431,419	11,222,279	1,882,134,842
Total Capital Assets, Net	\$ 1,947,529,011	\$ 9,727,036	\$ 193,994,026	\$ 131,205,522	\$ 2,020,044,551

10. Museum and Art Collections

The Florida Museum of Natural History, which is the official state-sponsored and chartered natural history museum and part of the University, maintains a depository of biological, paleontological, archaeological, and ethnographic materials. The Museum's collections contain over 40 million specimens and objects, more than half of which are catalogued, either individually or in lots. While many of the collections are undoubtedly quite valuable and irreplaceable, the University has not placed a dollar value on these items and, accordingly, the financial statements do not include these assets.

The Samuel P. Harn Museum of Art, which is also part of the University, maintains a collection of over 11,000 works of art. In accordance with professional practice among the nation's art museums, and in compliance with museum accreditation standards, the University has not placed a dollar value on these items.

11. Deferred Outflows/Inflows of Resources

Certain changes in the University's proportionate share of the net pension liabilities of the cost-sharing multiple-employer Florida Retirement System and Health Insurance Subsidy defined benefit plans, as well as in the University's proportionate share of the total other postemployment benefits liability of the Division of State Group Insurance, are reported as deferred outflows and inflows of resources. These include changes in actuarial assumptions, differences between actual and expected experience in the measurement of the liabilities, the net difference between projected and actual earnings on pension plan investments as well as changes in the University's proportion of the collective liabilities since the prior measurement date, and changes between the University's contributions and its proportionate share of contributions. In addition, University contributions to the pension and other

postemployment benefit plans subsequent to the measurement date for the collective liabilities are reported as deferred outflows of resources. See Note 13 for a discussion of the University's other postemployment benefits payable and the related deferred outflows and inflows of resources. See Note 14 for a complete discussion of the University's defined benefit pension plans and the related deferred outflows and inflows of resources. Other deferred outflows consists of the resources tied to the asset retirement obligation recorded by the University under GASB Statement No. 83. See Note 13 for a complete discussion of the University's asset retirement obligation and the related deferred outflows.

12. Unearned Revenue

Unearned Revenue includes amounts received prior to the end of the fiscal year but related to subsequent accounting periods. Unearned Revenue as of June 30, 2019, is summarized in Table 11.

Table 11. Unearned Revenue

Description	
Grants and Contracts	\$ 41,454,649
Auxiliary Enterprises	10,611,533
Student Tuition and Fees	6,133,304
Total Unearned Revenue	\$ 58,199,486

13. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2019, include capital improvement debt payable, loans and notes payable, installment purchase agreements payable, capital leases payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liability activity for the fiscal year ended June 30, 2019, is presented in Table 12.

Table 12. Long-Term Liabilities

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Asset-Related Debt:					
Capital Improvement Debt Payable	\$ 138,115,340	\$ 42,476,508	\$ 21,091,433	\$ 159,500,415	\$ 9,547,000
Loans and Notes Payable	5,145,015	-	408,233	4,736,782	417,839
Installment Purchase Agreements Payable	1,612,192	-	1,112,104	500,088	451,788
Capital Leases Payable	2,343,267	-	176,026	2,167,241	187,380
Total Capital Asset-Related Debt	147,215,814	42,476,508	22,787,796	166,904,526	10,604,007
Other Long-Term Liabilities:					
Compensated Absences Payable	125,229,012	10,452,174	10,845,110	124,836,076	11,376,585
Other Postemployment Benefits Payable	1,069,104,000	207,242,000	232,798,000	1,043,548,000	15,774,000
Net Pension Liability	611,171,279	392,171,297	359,224,323	644,118,253	4,197,839
Other Noncurrent Liabilities	13,968,933	9,482,000	164,518	23,286,415	-
Total Long-Term Liabilities	\$ 1,966,689,038	\$ 661,823,979	\$ 625,819,747	\$ 2,002,693,270	\$ 41,952,431

A. CAPITAL IMPROVEMENT DEBT PAYABLE

Capital improvement debt is issued to construct student housing, parking, and various other University facilities. The outstanding debt for student housing and the parking facilities is secured by a pledged portion of housing rental revenues and parking fees. The outstanding debt for the Clinical Translational Research Building is secured by a pledged portion of indirect cost revenues received by the College of Medicine. The outstanding debt for the renovation and expansion of the student activity center building is secured by a pledged portion of the student and activity fees. Pledged revenues are equal to the remaining debt service requirements to maturity for the capital improvement debt.

On October 25, 2018, the Florida Board of Governors, on behalf of the University, issued \$39,070,000 of University of Florida Parking Facility Revenue Bonds, Series 2018A. The bonds are repaid from pledged revenues of transportation and parking fees. \$28,790,000 of the proceeds are being used to finance the construction of a parking facility on the main campus of the University of Florida. The remaining \$10,280,000 were used to refund all outstanding portions of the University of Florida Parking Facility Revenue Bonds, Series 2007A, maturing in years 2019 through 2027. The new bonds will mature in annual increments starting on August 1, 2019 and ending on August 1, 2038. Interest payments are due semiannually on February 1 and August 1 beginning February 1, 2019.

A summary of the University's capital improvement debt payable at June 30, 2019, is presented in Table 13.



Table 13. Capital Improvement Debt Payable

Type and Series	Amount of Original Issue	Amount Outstanding		Interest Rates	Maturity Date
		Principal	Interest		
Student Housing Auxiliary Debt:					
2011A Housing	\$ 16,350,000	\$ 5,995,000	\$ 1,193,944	3.000 to 4.000%	2028
2012A Housing	26,500,000	18,840,000	4,376,181	3.000 to 4.000%	2031
2013A Housing	24,805,000	18,445,000	5,368,594	3.000 to 5.000%	2033
2016A Housing	19,390,000	16,175,000	4,117,825	3.000 to 5.000%	2030
Total Student Housing Debt	87,045,000	59,455,000	15,056,544		
Parking Facility Auxiliary Debt:					
2018A Parking Facility	39,070,000	39,070,000	16,659,700	4.000 to 5.000%	2038
Total Parking Garage Debt	39,070,000	39,070,000	16,659,700		
Other University of Florida Revenue Bonds:					
2011 Clinical Translational Research Building	29,838,000	20,199,000	5,538,923	4.433%	2030
2013 Student Activity	41,540,000	33,080,000	12,182,050	4.000 to 5.000%	2033
Total Other University of Florida Revenue Bonds	71,378,000	53,279,000	17,720,973		
Plus: Unamortized Premiums	-	8,844,714	-		
Less: Unamortized Discounts	-	(24,343)	-		
Less: Unamortized Refunding Losses	-	(1,123,956)	-		
Total Capital Improvement Debt	\$ 197,493,000	\$ 159,500,415	\$ 49,437,217		

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2019, are presented in Table 14.

Table 14. Capital Improvement Debt Payable - Principal & Interest			
Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 9,547,000	\$ 6,492,409	\$ 16,039,409
2021	9,992,000	6,045,056	16,037,056
2022	10,459,000	5,574,892	16,033,892
2023	10,960,000	5,081,523	16,041,523
2024	10,587,000	4,577,830	15,164,830
2025-2029	57,927,000	15,636,179	73,563,179
2030-2034	32,592,000	5,024,328	37,616,328
2035-2039	9,740,000	1,005,000	10,745,000
Total Principal & Interest	151,804,000	49,437,217	201,241,217
Plus: Unamortized Premiums	8,844,714	-	8,844,714
Less: Unamortized Discounts	(24,343)	-	(24,343)
Less: Unamortized Refunding Losses	(1,123,956)	-	(1,123,956)
Total	\$ 159,500,415	\$ 49,437,217	\$ 208,937,632

B. LOANS AND NOTES PAYABLE

On August 30, 2013, the University borrowed \$6,472,538 at an interest rate of 2.33% to finance the cost of energy savings contracts and renovation of the J. Wayne Reitz Union. The principal and interest costs are expected to be met by cost savings of the newer system. The University’s outstanding note is secured with collateral of the energy performance equipment used in the renovation. The note contains a provision that in an event of default, the contract can be terminated and equipment returned and/or declare all payments payable under the contract to the end of the then current budget year of the University, to be immediately due and payable. The note matures on August 31, 2029, and principal and interest payments are made annually. Annual requirements to amortize the note as of June 30, 2019, are presented in Table 15.

Table 15. Loans and Notes Payable - Principal & Interest			
Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 417,839	\$ 105,833	\$ 523,672
2021	427,671	96,001	523,672
2022	437,734	85,938	523,672
2023	448,034	75,638	523,672
2024	458,576	65,096	523,672
2025-2029	2,459,903	158,455	2,618,358
2030	87,025	253	87,278
Total	\$ 4,736,782	\$ 587,214	\$ 5,323,996

C. INSTALLMENT PURCHASE AGREEMENTS PAYABLE

The University has entered into several installment purchase agreements for the purchase of equipment with original cost bases totaling \$2,636,977. The stated interest rates ranged from 0.00% to 5.62%. Future minimum payments remaining under installment purchase agreements as of June 30, 2019, are presented in Table 16.

Table 16. Installment Purchase Agreements Payable - Principal & Interest			
Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 451,788	\$ 3,399	\$ 455,187
2021	48,300	-	48,300
Total Minimum Payments	\$ 500,088	\$ 3,399	\$ 503,487

D. CAPITAL LEASES PAYABLE

The University entered into a lease agreement with the University of Florida Foundation, Inc. (the Foundation), a direct-support organization (component unit) of the University. Under the terms of the agreement, the University agreed to lease from the Foundation a 607-space parking garage located near the Health Science Center Administrative Offices for a period of thirty years beginning July 1, 1994. Lease payments of \$100,000 annually are due each July 1. Lease payments from the University to the Foundation were based on an original construction cost of \$3,000,000 and no interest. For reporting purposes, the lease is considered a capital lease under GASB Statement No. 62,

Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$1,382,470. The asset, which is included in the Property Under Capital Lease and Leasehold Improvements, was recorded at a cost of \$3,000,000.

The University entered into a lease agreement with Shands. Under the terms of the agreement, the University agreed to lease from Shands an 800-space parking garage located near the Health Science Center Administrative Offices for a period of thirty years beginning March 1, 2000. Annual lease payments of \$227,167 are due each May 1, which began on May 1, 2001. Lease payment amounts were based on an original construction cost of \$6,815,002 and no interest. For reporting purposes, the lease is considered a capital lease under GASB Statement No. 62. The initial obligation was discounted at an imputed interest rate of 6.45% and was recorded at \$2,981,939. The asset, which is included in the Property Under Capital Lease and Leasehold Improvements, was recorded at a cost of \$6,815,002. A summary of pertinent information related to the two capital leases is presented in Table 17.

Table 17. Capital Leases Payable

Capital Leases	Interest Rate	Original Balance	Outstanding Balance
Garage No. 06 (607 spaces)	6.45%	\$ 1,382,470	\$ 416,130
Garage No. 10 (800 spaces)	6.45%	2,981,939	1,751,111
Total		\$ 4,364,409	\$ 2,167,241

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2019, are presented in Table 18.

Table 18. Capital Leases Payable - Principal & Interest

Fiscal Year Ending June 30	Principal	Interest	Total
2020	\$ 187,380	\$ 139,787	\$ 327,167
2021	199,466	127,701	327,167
2022	212,331	114,835	327,166
2023	226,027	101,140	327,167
2024	240,605	86,561	327,166
2025-2029	888,030	247,806	1,135,836
2030-2031	213,402	13,764	227,166
Total	\$ 2,167,241	\$ 831,594	\$ 2,998,835

E. 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 in accordance with its policy regarding leave payment upon separation from employment. 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, 2019, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$124,836,076. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year and is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

F. 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 Florida Department of Management Services, Division of State Group Insurance.

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 health 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 OPEB Plan. 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 meets 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 \$1,043,548,000 was measured as of June 30, 2018 and was determined by applying update procedures to the actuarial valuation performed as of July 1, 2017. At June 30, 2019, the University’s proportionate share, determined by its proportion of total benefit payments made, was 9.89%, which remained the same as its proportionate share measured as of June 30, 2018.

■ **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, as presented in Table 19.

Table 19. Actuarial Assumptions - OPEB

Inflation	2.60%	
Salary Increases	3.25%	average, including inflation
Discount Rate	3.87%	
Healthcare Cost Trend Rates	8.80% and 6.20%	for Preferred Provider Organizations (PPO) and Health Maintenance Organizations (HMO), respectively, for fiscal year 2019, decreasing to an ultimate rate of 3.80% for 2076 and later years
Retirees’ Share of Benefit-Related Costs	100.00%	projected health insurance premiums for retirees

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study has 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:

- The discount rate as of the measurement date for GASB 75 purposes was changed to 3.87%. The prior GASB 75 report used 3.58%. The current GASB 75 discount rate is based on the 20-year municipal bond rate as of June 28, 2018.



■ **Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate** – Table 20 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 (2.87%) or 1 percentage point higher (4.87%) than the current rate:

Table 20. Sensitivity to Changes in Discount Rate - OPEB

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
University's Proportionate Share of the Total OPEB Liability	\$1,269,228,000	\$1,043,548,000	\$ 867,848,000

■ **Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates** – Table 21 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:

Table 21. Sensitivity to Changes in Healthcare Cost Trend Rates - OPEB

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
University's Proportionate Share of the Total OPEB Liability	\$ 844,135,000	\$ 1,043,548,000	\$1,311,194,000

■ **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – For the fiscal year ended June 30, 2019, the University recognized OPEB expense of \$51,272,000. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB as presented in Table 22.

Table 22. Deferred Outflows and Inflows of Resources Related to OPEB

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognition Period
Change of Assumptions	\$ -	\$ 210,137,000	8.0 years
Changes in Proportion and Differences Between University Benefit Payments and Proportionate Share of Benefit Payments	-	6,401,000	8.0 years
Transactions Subsequent to the Measurement Date	16,164,000	-	1.0 year
Total	\$ 16,164,000	\$ 216,538,000	

Of the total amount reported as deferred outflows of resources related to OPEB, \$16,164,000 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as presented in Table 23.

Table 23. Recognition of Deferred Inflows related to OPEB

Fiscal Year Ending June 30	
2020	\$ (34,018,000)
2021	(34,018,000)
2022	(34,018,000)
2023	(34,018,000)
2024	(34,018,000)
Thereafter	(46,448,000)
Total	\$ (216,538,000)

G. ASSET RETIREMENT OBLIGATION PAYABLE

The University follows GASB Statement No. 83, *Certain Asset Retirement Obligations*, to account for significant asset retirement obligations (AROs). These AROs are included as part of Other Noncurrent Liabilities in Table 12, and the total amount of the AROs for the University was \$9,482,000 as of June 30, 2019. The University's AROs consist of radioactive and biohazardous tangible capital assets. The University utilizes governmental agency estimates and current remediation costs to estimate the AROs. The source of the obligations are federal and state regulations, and there are no legally required funding or assurance provisions associated with the AROs. There are no assets restricted for payments of the AROs. The remaining useful lives of the tangible capital assets range from 25 to 50 years. The University amortizes the associated deferred outflows of resources associated with the AROs by applying the straight-line method over the estimated remaining useful lives of the assets.

14. Retirement Plans

A. DEFINED BENEFIT PENSION PLANS

The University follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for reporting the employer's proportionate share of the net pension liabilities for the FRS and HIS defined benefit plans.

General information about the Florida Retirement System and Health Insurance Subsidy Program

The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes. The FRS was created 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 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. 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 (SMSC) employed by the State as well as faculty and specified employees in the State university system.

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 Florida Retirement System 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. A comprehensive annual 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 website (www.dms.myflorida.com).

The University's pension expense totaled \$107,296,432 for the 2018-19 fiscal year for both the FRS Pension Plan and HIS Program.

1. Florida Retirement System Defined Benefit 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 (SMSC) – 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 six years of creditable service, and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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 vested members enrolled in the Plan on or after July 1, 2011, 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 four years of military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

■ **Benefits Provided** – Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and service credit. 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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011,

the average final compensation is the average of the eight 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. Table 24 shows the percentage value for each year of service credit earned.

Table 24. Percentage Value of Service Credit Earned per Year

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	
Service on and after October 1, 1974	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 3.00% 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 3.00%, determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement, multiplied by 3.00%. 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 2018-19 fiscal year are shown

in Table 25. The University's contributions to the Plan totaled \$50,296,368 for the fiscal year ended June 30, 2019.

Table 25. Florida Retirement System Contribution Rates

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00%	8.26%
Florida Retirement System, Senior Management Service	3.00%	24.06%
Florida Retirement System, Special Risk	3.00%	24.50%
Deferred Retirement Option Program-Applicable to Members from all of the Above Classes	0.00%	14.03%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates for each membership class include 1.66% for Health Insurance Subsidy. Also, employer rates, other than for DROP participants, include 0.06% for administrative costs of the Investment Plan.

(B) Contribution Rates are dependent upon retirement class in which reemployed.

■ **Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2019, the University reported a liability of \$487,417,535 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 1.62%, which was an increase of 0.09% from its proportionate share of 1.53% measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of \$94,358,933. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to pensions as presented in Table 26.

Table 26. Deferred Outflows and Inflows Related to Pensions - FRS

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognition Period
Differences Between Expected and Actual Experience	\$ 41,291,592	\$ 1,498,691	6.4 years
Change of Assumptions	159,264,347	-	6.4 years
Net Difference Between Projected and Actual Earnings on FRS Plan Investments	-	37,658,947	5.0 years
Changes in Proportion and Difference Between University Contributions and Proportionate Share of Contributions	26,589,305	4,661,914	6.4 years
University FRS Contributions Subsequent to the Measurement Date	50,296,368	-	1.0 year
Total	\$ 277,441,612	\$ 43,819,552	

The deferred outflows of resources related to pensions totaling \$50,296,368, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown in Table 27.

Table 27. Recognition of Deferred Outflows and Inflows Related to Pensions - FRS

Fiscal Year Ending June 30	
2020	\$ 73,143,420
2021	47,829,714
2022	7,588,377
2023	29,913,979
2024	21,095,554
Thereafter	3,754,648
Total	\$ 183,325,692

■ **Actuarial Assumptions** – The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as presented in Table 28.

Table 28. Actuarial Assumptions - FRS

Inflation	2.60%	
Salary Increases	3.25%	average, including inflation
Investment Rate of Return	7.00%	net of pension Plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actual assumptions, used in the July 1, 2018, valuation, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on Plan investments was not based on historical returns, but instead was 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 was based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of long-term expected rates of arithmetic return for each major asset class are summarized in Table 29.

Table 29. Target Allocation and Expected Rate of Return

Asset Class	Target Allocation	Long-Term
		Expected Rate of Return
Cash	1.00%	2.90%
Fixed Income	18.00%	4.40%
Global Equity	54.00%	7.60%
Real Estate (Property)	11.00%	6.60%
Private Equity	10.00%	10.70%
Strategic Investments	6.00%	6.00%
Total	100.00%	

■ **Discount Rate** – The discount rate used to measure the total pension liability was 7.00%, which was a decrease of 0.10% from the prior measurement date. 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.



■ Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

– Table 30 presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate.

Table 30. Sensitivity to Changes in Discount Rate - FRS

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
University's Proportionate Share of the Net Pension Liability	\$ 889,557,445	\$ 487,417,535	\$ 153,416,566

■ **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 Comprehensive Annual Financial Report*.

2. Health Insurance Subsidy Defined Benefit Pension Plan

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

■ **Benefits Provided** – For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement, multiplied by \$5. The payments are at least \$30, but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

■ **Contributions** – The HIS Plan is funded by required contributions from FRS participating employers, as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66% of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100% of its statutorily required contributions for the current and preceding three 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 \$8,250,927 for the fiscal year ended June 30, 2019.

■ Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

– At June 30, 2019, the University reported a liability of \$156,700,718 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The University's proportionate share of the net pension liability was based on the University's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the University's proportionate share was 1.48%, which was an increase of 0.01% from its proportionate share of 1.47% measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the University recognized pension expense of \$12,937,499. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions as presented in Table 31.

Table 31. Deferred Outflows and Inflows Related to Pensions - HIS

Description	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognition Period
Differences Between Expected and Actual Experience	\$ 2,399,019	\$ 266,229	7.2 years
Change of Assumptions	17,427,056	16,567,710	7.2 years
Net Difference Between Projected and Actual Earnings on Plan Investments	94,588	-	5.0 years
Changes in Proportion and Difference Between University Contributions and Proportionate Share of Contributions	4,260,399	-	7.2 years
University Contributions Subsequent to the Measurement Date	<u>8,250,927</u>	-	1.0 year
Total	<u>\$ 32,431,989</u>	<u>\$ 16,833,939</u>	

The deferred outflows of resources related to pensions totaling \$8,250,927, 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown in Table 32.

Table 32. Recognition of Deferred Outflows and Inflows Related to Pensions - HIS

Fiscal Year Ending June 30		
2020	\$	3,433,642
2021		3,425,668
2022		2,469,504
2023		744,791
2024		(1,929,936)
Thereafter		(796,546)
Total	\$	7,347,123

■ **Actuarial Assumptions** – The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, as presented in Table 33.

Table 33. Actuarial Assumptions - HIS

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Municipal Bond Rate	3.87%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

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 3.87%, which was an increase of 0.29% from the prior measurement date. 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.

■ **Sensitivity of the University’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – Table 34 presents the University’s proportionate share of the net pension liability calculated using the discount rate of 3.87%, 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 (2.87%) or 1 percentage point higher (4.87%) than the current rate.

Table 34. Sensitivity to Changes in Discount Rate - HIS

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
University’s Proportionate Share of the Net Pension Liability	\$ 178,472,935	\$ 156,700,718	\$ 138,552,312

■ **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 Systems Comprehensive Annual Financial Report*.

B. DEFINED CONTRIBUTION PENSION PLANS

1. FRS Investment Plan

The State Board of Administration (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 Comprehensive Annual 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 this program. 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 as the FRS defined benefit plan; these contributions are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). 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% of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan member investment accounts during the 2018-19 fiscal year are presented in Table 35.

Table 35. Florida Retirement System - Investment Plan Rates

Class	Percent of Gross Compensation
Florida Retirement System, Regular	6.30%
Florida Retirement System, Senior Management Service	7.67%
Florida Retirement System, Special Risk	14.00%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings.

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. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over his or her account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes 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 select 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.

There were 2,461 University participants during the 2018-19 fiscal year. The University's Investment Plan pension expense totaled \$9,250,746 for the fiscal year ended June 30, 2019.

2. 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 eight or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating investment 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% of the participant's salary to the participant's account, 3.50% to cover the unfunded actuarial liability of the FRS pension plan, and 0.01% to cover administrative costs. Employees contribute 3.00% of their 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.

There were 7,083 University participants during the 2018-19 fiscal year. The University's contributions to the Program totaled \$47,506,868 and employee contributions totaled \$28,785,212 for the 2018-19 fiscal year.

C. OTHER RETIREMENT PROGRAMS

1. U.S. Civil Service Retirement System

Some University employees participate in the U.S. Civil Service Retirement System. Fourteen employees were covered by the U.S. Civil Service Retirement System during the 2018-19 fiscal year. Employer contributions totaled \$85,156, and employee contributions totaled \$85,156 for the 2018-19 fiscal year. The University's participation in the Federal retirement system is not considered material by University management.

2. Institute of Food and Agricultural Sciences Supplemental Retirement

In 1984, the Florida Legislature enacted the Institute of Food and Agricultural Sciences Supplemental Retirement Act to provide a supplement to the monthly retirement benefit being paid under the Federal Civil Service Retirement System to retirees of the Institute of Food and Agricultural Sciences (IFAS) at the University of Florida. The supplement is designated for IFAS cooperative extension employees employed before July 1, 1983, who are not entitled to benefits from either a State-supported retirement system or social security based on their service with IFAS. It was intended to compensate these IFAS employees for the difference between their Civil Service benefit and the benefits an FRS member receives, which includes a social security benefit. No additional persons can become eligible for this supplement.

There were 14 University participants during the 2018-19 fiscal year. Required employer contributions made to the program totaled \$247,906. Employees do not contribute to this program.

15. Construction Commitments

The University's construction commitments at June 30, 2019, are presented in Table 36.

Table 36. Construction Commitments

Project Title	Total Commitment	Completed to Date	Balance Committed
Data Science and Information Technology Building	\$ 135,000,000	\$ 30,306	\$ 134,969,694
Herbert Wertheim Laboratory for Engineering Excellence	72,316,512	34,957,489	37,359,023
Norman Hall Rehabilitation and College of Education Center Addition	34,107,603	21,845,084	12,262,519
Parking Garage XIV	32,596,599	17,002,087	15,594,512
PK Yonge Middle & High School Expansion	28,000,000	1,227,072	26,772,928
VetMed Plant Energy Services Contract	25,227,148	5,390,923	19,836,225
Institute of Black Culture and Institute of Hispanic-Latino Cultures Facility	9,871,048	4,549,039	5,322,009
Florida Museum of Natural History Special Collections Building	8,000,000	19,868	7,980,132
Museum Road Utility Infrastructure Replacement	6,200,001	110,200	6,089,801
Electrical Substation 2 - Cable and Switchgear Replacement	6,010,163	3,496,574	2,513,589
Subtotal	357,329,074	88,628,642	268,700,432
Projects Under \$5,000,000	82,433,754	32,231,610	50,202,144
Total	\$ 439,762,828	\$ 120,860,252	\$ 318,902,576

16. 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 2018-19 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 of losses 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 \$78 million for named windstorm and flood losses through February 14, 2019, and decreased to \$68.5 million starting February 15, 2019. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 million; 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 three fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State's 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.

17. University Self-Insurance Programs

The University of Florida Self-Insurance Program (the Program) and the University of Florida Healthcare Education Insurance Company (HEIC), which are included in the University's reporting entity as discretely presented component units (see Note 1), provide general and professional liability protection for the University of Florida Board of Trustees (UFBOT) on behalf of the six health colleges of the JHMHC, the College of Veterinary Medicine teaching hospitals, the Student Health Care Center, direct-support organizations, and their employees and agents. Hospital professional liability protection, including general liability, is provided to Shands Teaching Hospital and Clinics, Inc., Shands Jacksonville Medical Center, Inc. (a subsidiary of Shands Jacksonville HealthCare, Inc.-Shands Jacksonville), other entities statutorily authorized to participate in the Program, and their employees and agents. The Program

and HEIC are distinct from and entirely independent of the self-insurance programs administered by the State described in Note 16.

The UFBOT and other immune entities are protected for losses which are subject to Section 768.28, Florida Statutes, including legislative claims bills, that in combination with the waiver of immunity limits described in Section 768.28, Florida Statutes, do not exceed \$1 million per claim and, for voluntary settlements, \$2 million per claim. For those protected entities not subject to Section 768.28, Florida Statutes, the Program provides \$2 million per claim. The per claim limit of liability protection for the participants does not exceed \$2 million per claim in the event more than one protected entity is involved in the same claim or action.

HEIC provides coverage for claims that are in excess of the protections provided by the Program, at limits of \$4 million per legislative claims bill coverage for participants subject to Section 768.28, Florida Statutes.

18. Litigation and Contingencies

The University is involved in certain 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.

19. Functional Distribution of Operating Expenses

The functional classification of operating expenses (instruction, research, etc.) is assigned to each individual transaction based on the nature of the activity. The operating expenses on the Statement of Revenues, Expenses, and Changes in Net Position are presented by natural classification. Table 37 presents those same expenses in functional classification as recommended by NACUBO.

Table 37. Functional Expenses

Functional Classification	
Instruction	\$ 770,462,514
Public Service	742,136,550
Research	707,179,550
Academic Support	213,650,423
Institutional Support	180,500,202
Scholarships, Fellowships, and Waivers, Net	163,122,183
Depreciation	143,105,891
Auxiliary Enterprises	133,984,814
Operation and Maintenance of Plant	132,511,197
Student Services	46,800,757
Total Operating Expenses	\$ 3,233,454,081

20. Component Units

The University's financial statements include 17 discretely presented component units as discussed in Note 1. These component units comprise 100% of the transactions and account balances of the aggregate discretely presented component units columns of the financial statements. Summary financial information from the most recently available audited financial statements for these component units is presented on the following pages in Tables 38, 39, and 40.

21. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. Transportation and Parking Services provides the University with safe and adequate parking facilities. Several parking garages have been constructed from the proceeds of revenue-backed debt instruments. The Department of Housing and Residence Education provides safe and affordable living space for students of the University of Florida. Capital improvement debt has been issued over the years to provide funding for the construction of facilities to house students of the University. In accordance with GASB Codification Section 2500.701-3, the University is no longer including activities related to Transportation Fees and Student Traffic Court in the segment note which will affect the comparability of the note to prior years. A summary of the financial activity for these segments is presented in Table 41.



Table 38. Direct-Support Organizations (amounts expressed in thousands)

	University of Florida Foundation, Inc.	The University Athletic Association, Inc.	University of Florida Research Foundation, Inc.	GatorCare Health Management Corporation
CONDENSED STATEMENT OF NET POSITION				
Assets				
Due from Component Units/University	\$ 30,732	\$ 4,662	\$ 164,330	\$ 4,608
Other Current Assets	98,272	90,874	10,948	40,292
Capital Assets, Net	62,134	204,574	-	7
Other Noncurrent Assets	<u>1,912,152</u>	<u>78,915</u>	<u>-</u>	<u>7,922</u>
Total Assets	<u>2,103,290</u>	<u>379,025</u>	<u>175,278</u>	<u>52,829</u>
Liabilities				
Due to Component Units/University	40,460	-	57,884	18,464
Other Current Liabilities	5,716	87,726	10,860	21,453
Noncurrent Liabilities	<u>44,906</u>	<u>122,303</u>	<u>-</u>	<u>10,013</u>
Total Liabilities	<u>91,082</u>	<u>210,029</u>	<u>68,744</u>	<u>49,930</u>
Deferred Inflows of Resources				
Deferred Amounts Related to Pensions	432	-	-	-
Other Deferred Outflows	<u>19,140</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>110,654</u>	<u>210,029</u>	<u>68,744</u>	<u>49,930</u>
Net Position				
Net Investment in Capital Assets	60,117	106,262	-	7
Restricted-Nonexpendable Endowment	1,361,918	-	-	-
Restricted-Expendable Endowment	552,492	-	-	-
Restricted-Expendable Other	-	8,271	-	-
Unrestricted	<u>18,109</u>	<u>54,463</u>	<u>106,534</u>	<u>2,892</u>
Total Net Position	<u>\$ 1,992,636</u>	<u>\$ 168,996</u>	<u>\$ 106,534</u>	<u>\$ 2,899</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION				
Operating Revenues	\$ 107,095	\$ 151,450	\$ 83,733	\$ 971
Operating Expenses	<u>(169,749)</u>	<u>(142,677)</u>	<u>(81,566)</u>	<u>(1,078)</u>
Operating Income (Loss)	(62,654)	8,773	2,167	(107)
Nonoperating Revenues (Expenses) and Other Revenues, Expenses, Gains, or Losses				
Investment Income, Net of Expenses	117,631	5,154	2	1,675
Net Increase in the Fair Value of Investments	1,102	-	11	-
Other Nonoperating Revenues	-	6,366	2,300	-
Other Nonoperating Expenses	-	(7,048)	-	-
Addition to Permanent Endowments	<u>53,823</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	109,902	13,245	4,480	1,568
Net Position, Beginning of Year	<u>1,965,510</u>	<u>155,751</u>	<u>102,054</u>	<u>1,331</u>
Adjustments to Beginning Net Position (Note 3)	<u>(82,776)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position, Beginning of Year, as Restated	<u>1,882,734</u>	<u>155,751</u>	<u>102,054</u>	<u>1,331</u>
Net Position, End of Year	<u>\$ 1,992,636</u>	<u>\$ 168,996</u>	<u>\$ 106,534</u>	<u>\$ 2,899</u>

Table 38. Direct-Support Organizations (amounts expressed in thousands)

	Florida Foundation Seed Producers, Inc.	University of Florida Development Corporation	Gator Boosters, Inc.	Citrus Research and Development Foundation, Inc.	Total Direct-Support Organizations
\$	-	\$ -	\$ 2,458	\$ -	\$ 206,790
	14,828	2,368	3,102	4,043	264,727
	3,356	9,688	1	-	279,760
	-	-	492	-	1,999,481
	<u>18,184</u>	<u>12,056</u>	<u>6,053</u>	<u>4,043</u>	<u>2,750,758</u>
	-	4,444	4,663	-	125,915
	8,546	286	235	138	134,960
	-	-	110	-	177,332
	<u>8,546</u>	<u>4,730</u>	<u>5,008</u>	<u>138</u>	<u>438,207</u>
	-	-	-	-	432
	-	-	-	-	19,140
	<u>8,546</u>	<u>4,730</u>	<u>5,008</u>	<u>138</u>	<u>457,779</u>
	3,356	5,244	1	-	174,987
	-	-	492	-	1,362,410
	-	-	-	-	552,492
	-	-	-	3,462	11,733
	<u>6,282</u>	<u>2,082</u>	<u>552</u>	<u>443</u>	<u>191,357</u>
\$	<u>9,638</u>	\$ <u>7,326</u>	\$ <u>1,045</u>	\$ <u>3,905</u>	\$ <u>2,292,979</u>
\$	1,601	\$ 1,889	\$ 40,234	\$ 5,879	\$ 392,852
	<u>(1,260)</u>	<u>(2,286)</u>	<u>(3,905)</u>	<u>(10,298)</u>	<u>(412,819)</u>
	341	(397)	36,329	(4,419)	(19,967)
	156	-	1,706	124	126,448
	-	-	-	-	1,113
	40	-	-	4,000	12,706
	-	(4,444)	(38,037)	-	(49,529)
	-	-	5	-	53,828
	<u>537</u>	<u>(4,841)</u>	<u>3</u>	<u>(295)</u>	<u>124,599</u>
	<u>9,101</u>	<u>12,167</u>	<u>1,042</u>	<u>4,200</u>	<u>2,251,156</u>
	-	-	-	-	(82,776)
	<u>9,101</u>	<u>12,167</u>	<u>1,042</u>	<u>4,200</u>	<u>2,168,380</u>
\$	<u>9,638</u>	\$ <u>7,326</u>	\$ <u>1,045</u>	\$ <u>3,905</u>	\$ <u>2,292,979</u>

Table 39. Health Science Center Affiliates (amounts expressed in thousands)


	Florida Clinical Practice Association, Inc.	University of Florida Jacksonville Physicians, Inc.	Faculty Associates, Inc.	Florida Veterinary Medicine Faculty Association, Inc.	University of Florida College of Pharmacy Faculty Practice Association, Inc.	Total Health Science Center Affiliates
CONDENSED STATEMENT OF NET POSITION						
Assets						
Due from Component Units/University	\$ 30,642	\$ 18,560	\$ 1,500	\$ 1,372	\$ -	\$ 52,074
Other Current Assets	129,569	55,856	21,079	4,394	811	211,709
Capital Assets, Net	83,902	26,339	-	-	-	110,241
Other Noncurrent Assets	33,546	-	-	-	-	33,546
Total Assets	277,659	100,755	22,579	5,766	811	407,570
Liabilities						
Due to Component Units/University	15,794	927	-	3,357	-	20,078
Other Current Liabilities	10,584	24,037	297	522	705	36,145
Noncurrent Liabilities	91,212	7,116	-	-	-	98,328
Total Liabilities	117,590	32,080	297	3,879	705	154,551
Net Position						
Net Investment in Capital Assets	14,754	18,333	-	-	-	33,087
Unrestricted	145,315	50,342	22,282	1,887	106	219,932
Total Net Position	\$ 160,069	\$ 68,675	\$ 22,282	\$ 1,887	\$ 106	\$ 253,019
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION						
Operating Revenues	\$ 692,058	\$ 293,362	\$ 20,675	\$ 15,746	\$ 6,746	\$ 1,028,587
Operating Expenses	(189,746)	(145,578)	(391)	(722)	(6,406)	(342,843)
Operating Income	502,312	147,784	20,284	15,024	340	685,744
Nonoperating Revenues (Expenses)						
Investment Income, Net of Expenses	842	410	4	-	-	1,256
Net Decrease in the Fair Value of Investments	(3,432)	-	-	-	-	(3,432)
Other Nonoperating Expenses	(499,129)	(150,433)	(17,524)	(16,123)	(2,634)	(685,843)
Change in Net Position	593	(2,239)	2,764	(1,099)	(2,294)	(2,275)
Net Position, Beginning of Year	159,476	70,914	19,518	2,986	2,400	255,294
Net Position, End of Year	\$ 160,069	\$ 68,675	\$ 22,282	\$ 1,887	\$ 106	\$ 253,019

Table 40. Shands Hospital and Others (amounts expressed in thousands)

	Shands Teaching Hospital & Clinics, Inc.	Shands Jacksonville HealthCare, Inc.	University of Florida Self-Insurance Program	University of Florida Healthcare Education Insurance Company	Total Shands Hospital and Others
CONDENSED STATEMENT OF NET POSITION					
Assets					
Due from Component Units/University	\$ 45,723	\$ 7,048	\$ -	\$ 57,805	\$ 110,576
Other Current Assets	450,884	252,127	223,827	1,314	928,152
Capital Assets, Net	1,081,668	249,153	-	-	1,330,821
Other Noncurrent Assets	<u>679,788</u>	<u>40,976</u>	<u>-</u>	<u>-</u>	<u>720,764</u>
Total Assets	<u>2,258,063</u>	<u>549,304</u>	<u>223,827</u>	<u>59,119</u>	<u>3,090,313</u>
Deferred Outflows of Resources					
Deferred Amounts Related to Pensions	67,181	4,028	-	-	71,209
Deferred Amounts Related to OPEB	-	1,829	-	-	1,829
Other Deferred Outflows	<u>51,125</u>	<u>176</u>	<u>-</u>	<u>-</u>	<u>51,301</u>
Total Assets and Deferred Outflows of Resources	<u>2,376,369</u>	<u>555,337</u>	<u>223,827</u>	<u>59,119</u>	<u>3,214,652</u>
Liabilities					
Due to Component Units/University	10,642	38,812	57,804	-	107,258
Other Current Liabilities	287,711	92,184	8,597	2	388,494
Noncurrent Liabilities	<u>865,915</u>	<u>227,471</u>	<u>23,419</u>	<u>2,645</u>	<u>1,119,450</u>
Total Liabilities	<u>1,164,268</u>	<u>358,467</u>	<u>89,820</u>	<u>2,647</u>	<u>1,615,202</u>
Deferred Inflows of Resources					
Deferred Amounts Related to Pensions	23,378	3,331	-	-	26,709
Deferred Amounts Related to OPEB	-	510	-	-	510
Other Deferred Inflows	<u>2,325</u>	<u>3,101</u>	<u>-</u>	<u>-</u>	<u>5,426</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,189,971</u>	<u>365,409</u>	<u>89,820</u>	<u>2,647</u>	<u>1,647,847</u>
Net Position					
Net Investment in Capital Assets	263,659	43,600	-	-	307,259
Restricted-Nonexpendable Endowment	276	-	-	-	276
Restricted-Expendable Endowment	4,205	4,793	-	-	8,998
Other Restricted Net Position	-	-	134,007	56,472	190,479
Unrestricted	<u>918,258</u>	<u>141,535</u>	<u>-</u>	<u>-</u>	<u>1,059,793</u>
Total Net Position	<u>\$ 1,186,398</u>	<u>\$ 189,928</u>	<u>\$ 134,007</u>	<u>\$ 56,472</u>	<u>\$ 1,566,805</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION					
Operating Revenues	\$ 1,600,792	\$ 753,681	\$ 10,045	\$ 722	\$ 2,365,240
Operating Expenses	<u>(1,482,863)</u>	<u>(717,352)</u>	<u>(10,950)</u>	<u>(1,322)</u>	<u>(2,212,487)</u>
Operating Income (Loss)	117,929	36,329	(905)	(600)	152,753
Nonoperating Revenues (Expenses)					
Investment Income, Net of Expenses	39,919	2,023	13,071	4,346	59,359
Net Increase in the Fair Value of Investments	6,288	-	-	-	6,288
Other Nonoperating Revenues	17,975	183	-	-	18,158
Other Nonoperating Expenses	<u>(100,810)</u>	<u>(42,093)</u>	<u>-</u>	<u>-</u>	<u>(142,903)</u>
Change in Net Position	<u>81,301</u>	<u>(3,558)</u>	<u>12,166</u>	<u>3,746</u>	<u>93,655</u>
Net Position, Beginning of Year	<u>1,105,097</u>	<u>193,486</u>	<u>121,841</u>	<u>52,726</u>	<u>1,473,150</u>
Net Position, End of Year	<u>\$ 1,186,398</u>	<u>\$ 189,928</u>	<u>\$ 134,007</u>	<u>\$ 56,472</u>	<u>\$ 1,566,805</u>

Table 41. Segment Information

	Transportation and Parking Services	Department of Housing and Residence Education
CONDENSED STATEMENT OF NET POSITION		
Assets		
Current Assets	\$ 19,826,279	\$ 11,684,026
Capital Assets, Net	60,524,647	116,275,609
Other Noncurrent Assets	-	376,072
Total Assets	80,350,926	128,335,707
Liabilities		
Current Liabilities	4,230,908	8,770,677
Noncurrent Liabilities	42,661,396	52,429,658
Total Liabilities	46,892,304	61,200,335
Net Position		
Net Investment in Capital Assets	16,051,223	59,285,951
Restricted	1,785,575	2,175,176
Unrestricted	15,621,824	5,674,245
Total Net Position	\$ 33,458,622	\$ 67,135,372
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating Revenues (Expenses)		
Operating Revenues	\$ 15,838,909	\$ 56,544,387
Depreciation Expense	(2,144,666)	(7,332,026)
Other Operating Expenses	(6,664,009)	(45,230,046)
Operating Income	7,030,234	3,982,315
Nonoperating Revenues (Expenses)		
Investment Income	64,635	-
Interest on Capital Asset-Related Debt	(1,419,651)	(2,555,159)
Other Nonoperating Revenues (Expenses)	(13,725,348)	1,418,959
Net Nonoperating Revenues (Expenses)	(15,080,364)	(1,136,200)
Change in Net Position	(8,050,130)	2,846,115
Net Position, Beginning of Year	41,508,752	64,289,257
Net Position, End of Year	\$ 33,458,622	\$ 67,135,372
CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided (Used) by		
Operating Activities	\$ 8,757,609	\$ 10,942,575
Noncapital Financing Activities	(4,784,079)	(9,687,618)
Capital and Related Financing Activities	12,911,562	(59,049)
Investing Activities	(16,885,092)	(10,248,134)
Net Decrease in Cash and Cash Equivalents	-	(9,052,226)
Cash and Cash Equivalents, Beginning of Year	-	9,052,226
Cash and Cash Equivalents, End of Year	\$ -	\$ -



OTHER REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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

	2018 (1) (3)		2017 (1) (2)		2016 (1)
University's Proportion of the OPEB Liability	9.89%		9.89%		9.92%
University's Proportionate Share of the Total OPEB Liability	\$ 1,043,548,000	\$	1,069,104,000	\$	1,171,492,000
University's Covered Payroll	\$ 1,151,732,866	\$	1,103,905,001	\$	1,120,515,686
University's Proportionate Share of the Total OPEB Liability as a Percentage of Covered Payroll	90.61%		96.85%		104.55%

Notes:

- (1) The amounts presented for the fiscal year were determined as of June 30. No assets are accumulated in a trust that meets the criteria in paragraph 4, GASB Statement No. 75 to pay related benefits.
- (2) The University's proportionate share of the total OPEB liability significantly decreased from the prior fiscal year due to changes to benefits and assumptions, resulting from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return.
- (3) The University's proportionate share of the total OPEB liability significantly decreased from the prior fiscal year due to changes in the discount rate of return.

Schedule of University's Proportionate Share of the Net Pension Liability - Florida Retirement System (FRS) Defined Benefit Pension Plan

	2018 (1) (6)	2017 (1) (5)	2016 (1) (4)	2015 (1) (2)	2014 (1) (3)	2013 (1)
University's Proportion of the FRS Net Pension Liability	1.62%	1.53%	1.56%	1.59%	1.52%	1.23%
University's Proportionate Share of the FRS Net Pension Liability	\$ 487,417,535	\$ 453,912,167	\$ 393,639,963	\$ 204,919,550	\$ 92,657,576	\$ 212,307,108
University's Covered Payroll (7)	\$ 1,151,732,866	\$ 1,103,905,001	\$ 1,120,515,686	\$ 1,066,940,109	\$ 1,024,891,028	\$ 1,053,555,913
University's Proportionate Share of the FRS Net Pension Liability as a Percentage of Covered Payroll	42.32%	41.12%	35.13%	19.21%	9.04%	20.15%
FRS Plan Fiduciary Net Position as a Percentage of the FRS Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

Notes:

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) There were no changes in assumptions from the prior fiscal year.
- (3) Changes of assumptions - As of June 30, 2014, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%.
- (4) Changes of assumptions - As of June 30, 2016, the long-term expected rate of return decreased from 7.65% to 7.60%.
- (5) Change of assumptions - As of June 30, 2017, the long-term expected rate of return decreased from 7.60% to 7.10%.
- (6) Change of assumptions - As of June 30, 2018, the long-term expected rate of return decreased from 7.10% to 7.00%.
- (7) Covered payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, State University Optional Retirement Program, and 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 (FRS) Defined Benefit Pension Plan

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually Required FRS Contribution	\$ 50,296,368	\$ 46,118,091	\$ 39,948,341	\$ 38,017,855	\$ 38,680,557	\$ 33,264,015
FRS Contributions in Relation to the Contractually Required FRS Contribution	<u>(50,296,368)</u>	<u>(46,118,091)</u>	<u>(39,948,341)</u>	<u>(38,017,855)</u>	<u>(38,680,557)</u>	<u>(33,264,015)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's Covered Payroll (2)	\$ 1,188,019,133	\$ 1,151,732,866	\$ 1,103,905,001	\$ 1,120,515,686	\$ 1,066,940,109	\$ 1,024,891,028
FRS Contributions as a Percentage of Covered Payroll	4.23%	4.00%	3.62%	3.39%	3.63%	3.25%

- Notes:**
- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, State University Optional Retirement Program, and 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's Proportionate Share of the Net Pension Liability - Health Insurance Subsidy (HIS) Defined Benefit Pension Plan

	<u>2018 (1) (6)</u>	<u>2017 (1) (5)</u>	<u>2016 (1) (4)</u>	<u>2015 (1) (3)</u>	<u>2014 (1) (2)</u>	<u>2013 (1)</u>
University's Proportion of the HIS Net Pension Liability	1.48%	1.47%	1.47%	1.46%	1.41%	1.38%
University's Proportionate Share of the HIS Net Pension Liability	\$ 156,700,718	\$ 157,259,112	\$ 171,404,762	\$ 148,825,945	\$ 131,969,507	\$ 120,063,826
University's Covered Payroll (7)	\$ 442,718,057	\$ 431,629,539	\$ 435,952,174	\$ 413,619,247	\$ 396,471,815	\$ 382,427,384
University's Proportionate Share of the HIS Net Pension Liability as a Percentage of Covered Payroll	35.40%	36.43%	39.32%	35.98%	33.29%	31.40%
HIS Plan Fiduciary Net Position as a Percentage of the HIS Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

- Notes:**
- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Change of assumption - The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.
- (3) Change of assumption - The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.
- (4) Change of assumption - The municipal rate used to determine total pension liability decreased from 3.80% to 2.85%.
- (5) Change of assumption - The municipal rate used to determine total pension liability increased from 2.85% to 3.58%.
- (6) Change of assumption - The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.
- (7) Covered payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, and DROP.

Schedule of University Contributions - Health Insurance Subsidy (HIS) Defined Benefit Pension Plan

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually Required HIS Contribution	\$ 8,250,927	\$ 8,028,939	\$ 7,783,620	\$ 7,538,309	\$ 5,578,364	\$ 4,834,988
HIS Contributions in Relation to the Contractually Required HIS Contribution	<u>(8,250,927)</u>	<u>(8,028,939)</u>	<u>(7,783,620)</u>	<u>(7,538,309)</u>	<u>(5,578,364)</u>	<u>(4,834,988)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's Covered Payroll (2)	\$ 452,884,926	\$ 442,718,057	\$ 431,629,539	\$ 435,952,174	\$ 413,619,247	\$ 396,471,815
HIS Contributions as a Percentage of Covered Payroll	1.82%	1.81%	1.80%	1.73%	1.35%	1.22%

- Notes:**
- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes active employees who are members of the following plans: defined benefit, Investment Plan, and DROP.



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, the financial statements of the University of 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, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated February 6, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the 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.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large, sweeping initial "S".

Sherrill F. Norman, CPA
Tallahassee, Florida
February 6, 2020
Audit Report No. 2020-114

University of Florida Board of Trustees



MORI HOSSEINI
Chair



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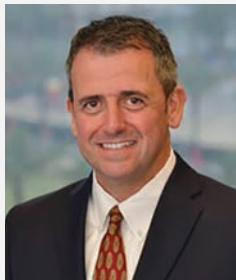
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