

Issue:	<p align="center"> \$19,025,000 STATE OF FLORIDA Board of Governors University of Florida Clinical Translational Research Building Revenue Refunding Bond, Series 2020A (Taxable) </p>
Issuer:	<p>The State of Florida, Board of Governors (the “Board”) is the governing body of the State University System of Florida, and is authorized under Florida law to issue debt on behalf of the State University System as well as its member institutions. The University of Florida (the “University”) is a member institution of the State University System.</p>
Lender:	Bank of America, N.A.
Description of Transaction:	<p>The State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Refunding Bond, Series 2020A (Taxable) (the “2020A Bond”) was issued through a private placement. The proceeds of the 2020A Bond were used to refinance all of the outstanding State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011 (the “2011 Bonds”), which were previously issued as a private placement. The 2011 Bonds were issued to finance the construction of the Clinical Translational Research Building on the campus of the University. No official statement or other offering document was prepared in connection with the 2011 Bonds or the 2020 Bond.</p> <p>A notice of sale was prepared in connection with the competitive sale of the 2020A Bond, which is attached hereto (the “Official Notice of Bond Sale”). The terms of the 2020A Bond are more specifically set forth in the Official Notice of Bond Sale, as well as the resolutions authorizing the issuance of the 2011 bonds and the 2020A Bond (collectively referred to herein as “Resolution”) which are included within the Official Notice of Bond Sale as appendices.</p>
<u>SUMMARY OF CERTAIN TERMS OF 2020A BOND</u>	
Issuance Date:	October 14, 2020
Original Principal Amount:	\$19,025,000
Maturity:	July 1, 2030
Interest Rate:	Fixed Rate – 1.54% per annum
Tax Status:	Taxable

Repayment Terms:	Semi-annual interest payments and semi-annual principal amortization payments each January 1 and July 1, commencing January 1, 2021, until maturity on July 1, 2030.				
Debt Service Schedule:	<u>Date</u>	<u>Principal Amount</u>	<u>Interest</u>	<u>Semi-annual Debt Service</u>	<u>Annual Debt Service</u>
	01/01/2021	\$925,000	\$62,666.26	\$987,666.26	
	07/01/2021	925,000	139,370.00	1,064,370.00	\$2,052,036.26
	01/01/2022	896,000	132,247.50	1,028,247.50	
	07/01/2022	897,000	125,348.30	1,022,348.30	2,050,595.80
	01/01/2023	910,000	118,441.40	1,028,441.40	
	07/01/2023	910,000	111,434.40	1,021,434.40	2,049,875.80
	01/01/2024	926,000	104,427.40	1,030,427.40	
	07/01/2024	925,000	97,297.20	1,022,297.20	2,052,724.60
	01/01/2025	939,000	90,174.70	1,029,174.70	
	07/01/2025	940,000	82,944.40	1,022,944.40	2,052,119.10
	01/01/2026	952,000	75,706.40	1,027,706.40	
	07/01/2026	953,000	68,376.00	1,021,376.00	2,049,082.40
	01/01/2027	969,000	61,037.90	1,030,037.90	
	07/01/2027	969,000	53,576.60	1,022,576.60	2,052,614.50
	01/01/2028	984,000	46,115.30	1,030,115.30	
	07/01/2028	984,000	38,538.50	1,022,538.50	2,052,653.80
	01/01/2029	998,000	30,961.70	1,028,961.70	
	07/01/2029	998,000	23,277.10	1,021,277.10	2,050,238.80
	01/01/2030	1,012,000	15,592.50	1,027,592.50	
	07/01/2030	1,013,000	7,800.10	1,020,800.10	2,048,392.60
	Total	\$19,025,000	\$1,485,333.66	\$20,510,333.66	\$20,510,333.66
Prepayment:	The 2020A Bond is not redeemable prior to maturity.				
Security:	<p>The 2020A Bond is secured by a first lien pledge of indirect cost reimbursements received by the University’s College of Medicine from Federal, State and private grants (the “Pledged Revenues”). Grants received by the University are typically comprised of direct and indirect cost components. The direct cost component is used to pay for direct costs of research, such as salaries of researchers and equipment used directly for research. The indirect cost component is based upon a formula and is used to pay for indirect costs, such as building and equipment depreciation, administrative salaries, and building operation and maintenance. However, actual payment of such expenses is budgeted and paid from other University funds, thereby making the revenues from indirect cost reimbursements available for debt service.</p> <p>This 2020A Bond is a revenue bond within the meaning of Article VII, Section 11(d), of the Constitution of Florida, and shall be payable solely from the Pledged Revenues described herein and more specifically in the Resolution, which Pledged Revenues are derived directly from sources other than State tax revenues.</p>				

	<p>The 2020A Bond is secured solely by the Pledged Revenues and does not constitute a general obligation of the Board or the University, and the issuance of the 2020A Bond does not, directly or indirectly or contingently, obligate the Board or the University to use funds other than the Pledged Revenues for payment of the principal of or interest on the 2020A Bond.</p> <p><i>See the attached Official Notice of Bond Sale and Resolution for a more complete description of the security for the 2020A Bond.</i></p>
Default Provisions:	<p>In the event of a monetary default, bondholders may exercise all remedies at law to enforce their rights under the Resolution. Acceleration is not permitted under the terms of the Resolution.</p> <p><i>See the attached Resolution for a complete description of the covenants contained therein.</i></p>
Financial Covenants:	<p>The Board covenants to collect the Pledged Revenues, budget funds from the Pledged Revenues in amounts sufficient to pay debt service, and make each debt service payment in full and on time.</p> <p><i>See the attached Resolution for a more complete description of the covenants contained therein.</i></p>

The information in this voluntary filing is a brief summary of certain terms of the 2020A Bond and is not intended to be a complete description of the terms of the 2020A Bond, the Official Notice of Bond Sale, the Resolution, or any other document related to the 2020A Bond. See the attached Official Notice of Bond Sale and Resolution for a more complete description of the 2020A Bond.

The information is only accurate as of its date. This notice is not required by any preexisting continuing disclosure undertaking of the Board or the University. Nothing contained in this voluntary notice is, or should be construed as, a representation by the Board or the University that the information included in this voluntary notice constitutes all of the information that may be material to a decision to invest in, hold or dispose of any securities issued by the Board or otherwise related to the University. Although the Board and the University may provide additional information from time to time regarding the matters in this voluntary notice, they are not required to do so.

For additional information, please contact the Florida Division of Bond Finance, email: bond@sbafla.com; telephone: (850) 488-4782.

\$19,117,000*

STATE OF FLORIDA
BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA
CLINICAL TRANSLATIONAL RESEARCH BUILDING
REVENUE REFUNDING BOND,
SERIES 2020A (TAXABLE)

OFFICIAL NOTICE OF BOND SALE

AND

OFFICIAL BID FORM

The 2020A Bond is being offered for sale in accordance with this Official Notice of Bond Sale. Sealed bids for the purchase of the 2020A Bond will be accepted by the Division of Bond Finance of the State Board of Administration of Florida on behalf of the Board of Governors of the State of Florida, at 1801 Hermitage Boulevard, Suite 200, Tallahassee, Florida 32308, telephone (850) 488-4782, until 11:00 A.M., Eastern Time on October 6 2020. Bids may be submitted via email to bond@sbafla.com as further described herein.

* Preliminary, subject to change.

OFFICIAL NOTICE OF BOND SALE
\$19,117,000*
STATE OF FLORIDA
BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA
CLINICAL TRANSLATIONAL RESEARCH BUILDING
REVENUE REFUNDING BOND,
SERIES 2020A (TAXABLE)

NOTICE IS HEREBY GIVEN that bids for the purchase of the \$19,117,000* State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Refunding Bond, Series 2020A (Taxable) (the "2020A Bond") will be accepted by the Division of Bond Finance of the State Board of Administration of Florida (the "Division") on behalf of the Board of Governors, 1801 Hermitage Boulevard, Suite 200, Tallahassee, Florida 32308, until 11:00 A.M., Eastern Time on October 6, 2020. On such date of receipt all bids will be publicly opened and read, but no bid will be considered if received after the time for receiving bids specified above.

The Division will accept an email of a manually signed Official Bid Form in portable document format ("pdf") at the risk of the bidder. Any delay in receipt of an email bid and any incompleteness of such bid are the responsibility of the bidder. The email bid shall be submitted to the Division at bond@sbafla.com. Upon receipt of a bid, the Division will provide confirmation of receipt via return email.

Any capitalized terms not defined in this Official Notice of Bond Sale shall have the same meaning as in the resolution authorizing the issuance of the 2020A Bond adopted by the governing board of the Division on May 28, 2020 (the "First Supplemental Resolution"), which is attached to this Official Notice of Bond Sale as Appendix E.

BOND DETAILS

The 2020A Bond shall be issued as a registered bond in authorized denomination(s) as mutually agreed to by the winning bidder and the Division. The 2020A Bond will be dated its date of delivery, and interest will be payable on each January 1 and July 1, commencing January 1, 2021, until maturity, at the taxable fixed interest rate specified by the successful bidder.

Maturity - The 2020A Bond shall mature on July 1, 2030, subject to the mandatory amortization schedule shown below.

Funding Date – Date of closing. See "Settlement of the 2020A Bond" herein.

(Remainder of page intentionally left blank)

* Preliminary, subject to change.

Mandatory Amortization Schedule – The 2020A Bond will be subject to mandatory semiannual amortization in accordance with the following schedule, without premium:

<u>Date</u>	<u>Principal Amount*</u>
01/01/2021	\$920,000
07/01/2021	918,000
01/01/2022	875,000
07/01/2022	876,000
01/01/2023	895,000
07/01/2023	895,000
01/01/2024	915,000
07/01/2024	918,000
01/01/2025	940,000
07/01/2025	937,000
01/01/2026	960,000
07/01/2026	957,000
01/01/2027	980,000
07/01/2027	981,000
01/01/2028	1,005,000
07/01/2028	1,003,000
01/01/2029	1,025,000
07/01/2029	1,024,000
01/01/2030	1,045,000
07/01/2030	1,048,000

Adjustment of Mandatory Amortization Schedule – If the Division determines in its sole discretion that the funds necessary to accomplish the purposes of the 2020A Bond is either more or less than the proceeds of the sale of the 2020A Bond, the Division reserves the right to increase or decrease, by no more than 10%, the principal amount (as set forth in this Official Notice of Bond Sale) of the 2020A Bond (to be rounded to the nearest \$1,000) and/or the mandatory amortization schedule set forth above, provided that any adjustment will be structured to achieve approximately level annual debt service. In the event of any such adjustment, no rebidding will be required or permitted. However, the award will be made to the bidder whose Bid produces the lowest annual true interest cost rate, calculated as specified below, solely on the basis of the 2020A Bond offered without taking into account any adjustment made pursuant to this paragraph.

No Optional Redemption – The 2020A Bond is not subject to optional redemption prior to its stated maturity.

No Reserve Fund – The 2020A Bond will not be secured by a reserve fund and will only be secured by the Pledged Revenues.

Tax Status - Interest on the 2020A Bond is not excluded from gross income of the holders thereof for purposes of federal income taxation. The 2020A Bond and the income thereon are not subject to any tax under the laws of the State of Florida except estate taxes imposed by Chapter 198, Florida Statutes, as amended and net income and franchise taxes imposed by Chapter 220, Florida Statutes, as amended.

* Preliminary, subject to change.

Flow of Funds – No later than thirty days before an interest payment date and/or a principal payment date, the University will deposit with the State Board of Administration moneys in an amount sufficient to pay the next installment of principal and/or interest to become due on the 2020A Bond. Upon collection, the Pledged Revenues are deposited by the University in a trust fund (the “Revenue Fund”) and held in that trust fund until the appropriate time for deposit with the State Board of Administration as described in the prior sentence. See the resolutions attached as appendices hereto for more information on the flow of funds.¹

AUTHORIZATION

By a resolution adopted on January 20, 2011 (the “BOG Resolution”), the Board of Governors authorized the Division to issue the State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011 (the “2011 Bonds”), which are being refunded by the 2020A Bond. The BOG Resolution also authorized the Division to issue bonds for the purpose of refunding all or a portion of the 2011 Bonds if it is deemed by the Division to be in the best financial interest of the State.

By a resolution adopted on May 28, 2020 (the “First Supplemental Resolution”), which supplemented a resolution adopted on February 11, 2011 (the “Original Resolution”), the Governor and Cabinet of the State of Florida, as the Governing Board of the Division, authorized the issuance and sale of the 2020A Bond. The Original Resolution and the First Supplemental Resolution are collectively referred to herein as the “Resolution”. The Original Resolution and the First Supplemental Resolution are attached to this Official Notice of Bond Sale as Appendix D and E respectively.

The State Board of Administration approved the fiscal sufficiency of the 2020A Bond, as required by the State Bond Act, on May 28, 2020.

PURPOSE

The proceeds of the 2020A Bond will be used to: (i) refinance all of the Outstanding 2011 Bonds (the “Refunded Bonds”), and (ii) pay all expenses incidental to the issuance of the 2020A Bond. This refunding is being effectuated to achieve a debt service savings.

Simultaneously with the delivery of the 2020A Bond, a portion of the proceeds of the 2020A Bond, along with other legally available moneys, will be either (a) irrevocably deposited directly with the State Board of Administration, as Bond Registrar/Paying Agent for the Refunded Bonds and the 2020A Bond, to be held uninvested until the redemption date, or, (b) at the discretion of the Director of the Division, irrevocably deposited into an escrow account and invested in Defeasance Obligations under an escrow deposit agreement entered into among the Board of Governors, the Division, and the State Board of Administration as escrow agent.

Regardless of whether the proceeds are deposited directly with the Paying Agent or deposited into an escrow account as described above, the amount initially deposited with the Paying Agent, along with any interest earnings thereon, will be sufficient to redeem the Refunded Bonds on the redemption date. The Refunded Bonds will be legally defeased, will no longer have any claim upon the Pledged Revenues, and

¹ The 2003 Bonds referenced in the Original Resolution are no longer Outstanding and the 2020A Bond will have a first lien on the Pledged Revenues. The University Board of Trustees did not issue or approve the issuance of any obligations on a parity with or senior to the 2003 Bonds, and has covenanted that it will not issue or approve the issuance of any such obligation.

will have a claim only upon the proceeds deposited with the Paying Agent or deposited with the escrow agent, whichever is applicable.

If the proceeds are deposited directly with the Paying Agent, it is anticipated that the Refunded Bonds will be called for redemption on October 15, 2020,* (by separate redemption notice) at a redemption price equal to the principal amount thereof and interest due thereon through the redemption date. If an escrow account is established, it is anticipated that the Refunded Bonds will be called for redemption on November 16, 2020,* (by separate redemption notice) at a redemption price equal to the principal amount thereof and interest due thereon through the redemption date.

SECURITY FOR THE 2020A BOND

The 2020A Bond and the interest thereon constitute obligations of the Board of Governors and are payable solely from a first lien pledge of the Pledged Revenues on a parity with any Additional Parity Bonds issued in the future. The University does not have any current plans to issue Additional Parity Bonds. **The 2020A Bond will refund all of the Outstanding 2011 Bonds and will be the only Bonds Outstanding subsequent to issuance.**²

The Pledged Revenues are derived from the indirect costs revenues received by the University of Florida's College of Medicine from Federal, State and private grants. Grants received by the University of Florida (the "University") are typically comprised of direct and indirect costs components. The direct costs component is used to pay for direct costs of research, such as salaries of researchers and equipment used directly for research. The indirect costs component is based upon a formula and is used to pay for indirect costs, such as building and equipment depreciation, administrative salaries, and building operation and maintenance. However, actual payment of such expenses is budgeted and paid from other University funds, thereby making the indirect costs revenues available for debt service. Under Section 1010.62, Florida Statutes, only the indirect costs component can be pledged to pay debt service. Continued payment of debt service from the Pledged Revenues is dependent upon the University's success in obtaining future grants that will generate indirect costs revenues sufficient to pay debt service.

See Appendix A for information on University-wide and College of Medicine grants and for historical and projected Pledged Revenues and debt service coverage. See Appendix B for a draft of the University's unaudited annual financial statements for Fiscal Year 2019-20 and Appendix C for University's audited annual financial statements for Fiscal Year 2018-19. For further information related to the security of the 2020A Bond or the use of any capitalized terms not defined herein, please reference the Resolution.

The 2020A Bond does not constitute a general obligation or indebtedness of the State of Florida or any of its agencies or political subdivisions, including the Board of Governors and the University, and the full faith and credit of the State, the Board of Governors, and the University is not pledged to the payment of the principal of or interest on the 2020A Bond. The issuance of the 2020A Bond does not, directly or indirectly or contingently, obligate the State to use State funds other than the Pledged Revenues, to levy, to pledge any form of taxation whatsoever or to make any appropriation for its payment.

* Preliminary, subject to change.

² The 2003 Bonds referenced in the Original Resolution are no longer Outstanding, and thus there are no obligations with a lien on the Pledged Revenues senior to the 2020A Bond. The University Board of Trustees did not issue or approve the issuance of any obligations on a parity with or senior to the 2003 Bonds, and has covenanted that it will not issue or approve the issuance of any such obligation.

This Bond is a revenue bond within the meaning of Article VII, Section 11(d), of the Constitution of Florida, and shall be payable solely from the special funds described herein and more specifically in the Resolution, which special funds are derived directly from sources other than State tax revenues.

No terms, conditions, covenants, or security provisions other than those in the Resolutions will be considered by the Board of Governors.

ADDITIONAL BONDS

Additional Bonds may be issued provided the average annual amount of Pledged Revenues for the two immediately preceding fiscal years is equal to at least two hundred percent of the Maximum Annual Debt Service on the 2020A Bond and any Additional Bonds. See the First Supplemental Resolution, attached hereto as Appendix E, and the Original Resolution and Certificate Modifying the Original Resolution, attached hereto as Appendix D, for all of the terms, restrictions, and conditions that must be met before the issuance of Additional Bonds.

Currently, the University does not have plans to issue any Additional Bonds secured by the Pledged Revenues.

TERMS OF BID AND BASIS OF AWARD

THE DIVISION WILL AWARD THE 2020A BOND TO THE BIDDER WHOSE BID PRODUCES THE LOWEST TRUE INTEREST COST RATE ("TIC"), AS DESCRIBED BELOW. THE DIVISION HAS THE RIGHT TO AWARD ALL OR NONE OF THE 2020A BOND.

Proposals must be unconditional and for the purchase of all of the 2020A Bond. No more than one Proposal from any bidder will be considered. The 2020A Bond will be awarded to the bidder offering to purchase the 2020A Bond at the lowest TIC determined in accordance with the TIC method as set forth below. If two or more bidders offer to purchase the 2020A Bond at the same lowest TIC, the 2020A Bond shall be awarded by lot to one of these bidders.

The lowest TIC will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the 2020A Bond and to the amount bid, equal to the total principal amount of the 2020A Bond less the amount specified on the Official Bid Form for the Bidder's counsel fees. Bidder's counsel, if any, will be compensated from costs of issuance in the amount which is stated in the Official Bid Form, which may not exceed \$20,000. All other costs of the bidder must be included within the proposed interest rate and no additional costs will be paid by or passed on to the Division.

EACH BIDDER MUST SPECIFY IN ITS BID THE ANNUAL INTEREST RATE FOR THE 2020A BOND. NO RATE FORMULAS OR SEPARATE RATE LOCKS WILL BE ACCEPTED. NO BIDS FOR LESS THAN ALL OF THE 2020A BOND OFFERED WILL BE ENTERTAINED. THE DIVISION RESERVES THE RIGHT TO REJECT ALL BIDS OR ANY BID NOT CONFORMING TO THIS OFFICIAL NOTICE OF BOND SALE. THE DIVISION ALSO RESERVES THE RIGHT TO WAIVE, IF PERMITTED BY LAW, ANY IRREGULARITY OR INFORMALITY IN ANY BID.

The Division will provide an award certificate to the winning bidder via email, and the Division will make all efforts to provide such certificate by 5:00 P.M. Eastern Time on the date bids are due.

BIDDER QUALIFICATIONS AND PURCHASER'S CERTIFICATION

All bidders must be "accredited investors" as such term is defined in the Securities Act of 1933, as amended, and Regulation D thereunder, or a "qualified institutional buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended. Bidders must acknowledge that they are not acting as brokers or other intermediaries, and are purchasing the 2020A Bond as an investment for their own accounts and not with a present view to resell or otherwise distribute to the public or other investors.

The successful bidder will be required to complete, execute, and deliver to the Division (on the date of delivery of the 2020A Bond) a certificate substantially in the form of Appendix F to this Official Notice of Bond Sale.

SETTLEMENT OF 2020A BOND

It is expected that closing for the 2020A Bond will occur in Tallahassee, Florida, on October 14, 2020, or on such other later date as mutually agreed to by the winning bidder and the Division, but no later than 10 business days after the Division provides the emailed award certificate to the winning bidder. On such date, the 2020A Bond will be delivered to the successful bidder.

FULL PAYMENT OF THE PURCHASE PRICE MUST BE MADE TO THE DIVISION ON SUCH DATE BY THE SUCCESSFUL BIDDER BY FEDERAL RESERVE WIRE TRANSFER, AS DIRECTED BY THE DIVISION, WITHOUT COST TO THE DIVISION.

NO OFFICIAL STATEMENT

No preliminary or final official statement relating to the 2020A Bond will be prepared by the Division. **All bidders are required to perform their own due diligence with respect to the Pledged Revenues and the 2020A Bond prior to submitting a bid.** See "ADDITIONAL INFORMATION AND AMENDMENTS" herein for information on the process for bidders to request additional information.

At closing, the successful bidder must certify that they have relied solely upon their own investigation, examination, and evaluation of the Division and the Pledged Revenues, and other relevant matters in purchasing the 2020A Bond by signing the Purchaser's Certificate attached hereto as Appendix F.

CONTINUING DISCLOSURE

The 2020A Bond is exempt from Rule 15c2-12 of the Securities Exchange Commission. However, the University commits to annually provide the purchaser of the 2020A Bond with a copy of the University's audited financial statements and a report of College of Medicine direct and indirect costs revenues.

NO RATINGS

The 2020A Bond will not be rated.

LEGAL OPINION AND CLOSING CERTIFICATES

At the time of delivery of the 2020A Bond, the Division will deliver to the successful bidder, at the expense of the Division, a reliance letter with respect to the approving opinion of Bryant Miller Olive P.A., Tallahassee, Florida, Bond Counsel, a no-litigation certificate of the Division, and other customary closing

certificates relating to the issuance of the 2020A Bond. Copies of all documentation relating to the 2020A Bond may be obtained from the Division by contacting the Division at bond@sbafla.com.

ADDITIONAL INFORMATION AND AMENDMENTS

A copy of the Official Notice of Bond Sale will be posted to the Division's website (www.sbafla.com/bond) under the caption "Sales Pending".

The Division reserves the right to amend or supplement this Official Notice of Bond Sale prior to the time and date established for the submission of bids. Any amendment or supplement will be posted to the Division's website under the caption "Sales Pending".

Bidders may request additional information or submit questions related to the Pledged Revenues or any other matters relevant to purchasing the 2020A Bond by emailing bond@sbafla.com. The Division will respond to such requests and questions by posting a supplement to the Division's website under the caption "Sales Pending" no later than September 28, 2020. The Division will make all efforts to respond to additional requests for information and questions submitted after September 28, 2020.

It is the responsibility of the bidder to obtain any such amendment or supplement, which are hereby incorporated into this Official Notice of Bond Sale.

DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA

Dated: September 10, 2020

*THE TERMS AND CONDITIONS OF THIS OFFICIAL NOTICE OF BOND SALE
ARE INCORPORATED BY REFERENCE IN THE OFFICIAL BID FOR THE BOND*

OFFICIAL BID FORM

\$19,117,000*

**STATE OF FLORIDA
BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA
CLINICAL TRANSLATIONAL RESEARCH BUILDING
REVENUE REFUNDING BOND, SERIES 2020A (TAXABLE)**

September 10, 2020

Division of Bond Finance of the
State Board of Administration of Florida
Tallahassee, Florida

Ladies and Gentlemen:

On behalf of the undersigned and in accordance with the terms and conditions of the Official Notice of Bond Sale dated September 10, 2020, which is hereby incorporated herein and made a part of this proposal, we offer to purchase the \$19,117,000* State of Florida, Board of Governors, University Florida Clinical Translational Research Building Revenue Refunding Bond, Series 2020A (Taxable) (the “2020A Bond”), in immediately available federal funds. The 2020A Bond shall be issued as a registered bond in authorized denomination(s) as mutually agreed to by the winning bidder and the Division and shall mature on July 1, 2030. The 2020A Bond will be dated as of its date of delivery and interest will be paid each January 1 and July 1, commencing January 1, 2021, until maturity. The 2020A Bond shall be subject to mandatory semi-annual amortization on the dates and in the amounts stated below:

<u>Date</u>	<u>Principal Amount*</u>
01/01/2021	\$920,000
07/01/2021	918,000
01/01/2022	875,000
07/01/2022	876,000
01/01/2023	895,000
07/01/2023	895,000
01/01/2024	915,000
07/01/2024	918,000
01/01/2025	940,000
07/01/2025	937,000
01/01/2026	960,000
07/01/2026	957,000
01/01/2027	980,000
07/01/2027	981,000
01/01/2028	1,005,000
07/01/2028	1,003,000
01/01/2029	1,025,000
07/01/2029	1,024,000
01/01/2030	1,045,000
07/01/2030	1,048,000

* Preliminary, subject to change.

We propose that the 2020A Bond bear interest at a taxable rate of _____% per annum. The 2020A Bond shall bear interest at the interest rate indicated above, calculated based on a 360-day year consisting of twelve 30-day months. Our counsel, if any, will be compensated at a fee of \$_____ (not to exceed \$20,000) from costs of issuance. All other costs of the bidder are included within the rate set forth above and no additional costs will be paid by or passed on to the Division. Other than as set forth in the Official Notice of Bond Sale and the Resolution, no other terms or conditions apply to this offer.

The 2020A Bond is not subject to Optional Redemption prior to its stated maturity.

The undersigned certifies that he/she is authorized to execute this Official Bid Form on behalf of the bidder named below, acknowledges that this bid is a binding offer, and certifies that, if awarded, the bidder is authorized to execute a Purchaser's Certificate in the form attached to the Official Notice of Bond Sale.

Respectfully submitted,

(Name of Bidder)

By: _____

Printed Name: _____

Title: _____

Email: _____

Telephone: _____

**SUPPLEMENT TO:
OFFICIAL NOTICE OF BOND SALE
\$19,117,000*
STATE OF FLORIDA
BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA
CLINICAL TRANSLATIONAL RESEARCH BUILDING
REVENUE REFUNDING BOND,
SERIES 2020A (TAXABLE)**

The Division received the following questions from potential bidders, and the Division's responses to such questions are provided below. This supplement is incorporated, by reference, into the Official Notice of Bond Sale, and will be posted to the Division's website (www.sbafla.com/bond) under the caption "Bond Sales - Bond Sales Pending".

Question 1 – Will a CUSIP number be assigned to the 2020A Bond?

Response - The 2020A Bond will not be assigned a CUSIP number unless requested by the winning bidder.

Question 2 – Will additional terms, conditions, covenants, or security provisions proposed by bidders be considered by the Board of Governors?

Response - No terms, conditions, covenants, or security provisions proposed by bidders will be considered by the Board of Governors. Only the terms, conditions, covenants, and security provisions contained in the Official Notice of Bond Sale and the Resolutions authorizing the issuance of the 2020A Bond will apply to the 2020A Bond.

Dated: September 28, 2020

**DIVISION OF BOND FINANCE OF THE
STATE BOARD OF ADMINISTRATION
OF FLORIDA**

APPENDICES LIST

Appendix A: Disclosure Information Regarding Grants, Pledged Revenues and Debt Service Coverage

Appendix B: University Draft Unaudited Financial Statements for Fiscal Year 2019-20

Appendix C: University's Audited Financial Statements for Fiscal Year 2018-19*

* Historical audited financial statements for the University can be found on the Florida Auditor General's website (<https://flauditor.gov>) under the caption "Reports Issued By the Auditor General".

Appendix D: (1) Original Resolution and (2) Certificate Modifying the Original Resolution

Appendix E: First Supplemental Resolution authorizing the 2020A Bond

Appendix F: Form of Purchaser's Certificate

STATE OF FLORIDA
Board of Governors, University of Florida
Clinical Translational Research Building Revenue Bonds

Disclosure Information Regarding Grants, Pledged Revenues, and Debt Service Coverage¹

General Information

The University of Florida (the “University” or “UF”) is a State-supported land-grant comprehensive research university, comprised of 16 colleges, and with student enrollment of approximately 56,600 students (Fall 2019 semester). It is the State's oldest and largest university, the only member of the prestigious Association of American Universities in the State of Florida and one of only 65 members in North America. The University is also recognized by the Carnegie Commission on Higher Education as one of the nation's leading research universities.

The UF College of Medicine (the “COM”) has been in existence since 1956. The COM’s focus is to produce the next generation of specialists, scientists, clinical researchers, and health policy leaders who not only place their expertise in the service of individual patients but also significantly impact the health and well-being of populations and societies. The COM’s research programs, featuring some of the leading basic and clinical scientists in the world, increasingly focus on translational science. Education and research are the pillars of an academic medical center that rest squarely on the foundation of clinical care.

Research at the COM is growing and thriving. Among the COM’s stated mission is the goal “to improve our understanding of human health and disease through groundbreaking research and to translate these discoveries into new solutions that promote health, and improve health outcomes and quality of care.” The COM is striving for a balanced mix of basic, translational and clinical science. The overall research goal is to use discovery and technology to improve health. The COM’s five areas of specific focus for research include: Cancer, Aging, Neuromedicine, Immunology and Infectious disease, and Cardiovascular disease. The collective mission of the COM programs calls for innovation that will allow the University to translate new discoveries into practical applications to treat disease. Researchers at the Institute on Aging, the McKnight Brain Institute, the UF Genetics Institute, the UF Shands Cancer Center, and the Emerging Pathogens Institute—and throughout the six colleges of the Health Science Center—study everything from adult stem cells to gene therapy.

Research Grant Awards

Annual research awards at the University in both number of awards and amounts are set forth below for the last five fiscal years.

University of Florida
University-Wide Grant Proposals and Awards

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20*</u>
Proposals Submitted	5,422	5,466	5,393	5,129	5,688
Total Awards Received**	3,986	3,791	3,868	4,067	4,105

*Preliminary, subject to change

** Includes awards for both new grant proposals as well as continuation of existing awards.

As shown in the table below, for the last five fiscal years COM grants have been approximately one-third of total grants for the entire University. The COM grant awards grew from \$211 million in Fiscal Year 2016 to \$280 million in Fiscal Year 2018 before decreasing in each of the last two fiscal years. The decline in federal award funding

¹ Information in this Appendix was provided by the University of Florida.

over the past two years was due primarily to the loss of one major contract with the US Department of Health and Human Service. However, the loss of this federal contract has no impact on Pledged Revenues because indirect cost revenue was not recovered from this contract.

**University of Florida
College of Medicine
Grant Awards and Percentage of University-Wide Grant Awards**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20*</u>
College of Medicine Awards					
Federal	\$121,215,935	\$144,696,550	\$180,201,557	\$130,719,685	\$157,556,037
State and Local	19,357,289	21,701,000	13,536,107	16,154,508	7,676,692
Others	<u>70,457,863</u>	<u>69,546,306</u>	<u>86,760,186</u>	<u>62,127,630</u>	<u>64,853,665</u>
Total	\$211,031,087	\$235,943,856	\$280,497,850	\$209,001,823	\$230,086,394
 University-wide Awards	 \$654,008,529	 \$620,026,110	 \$751,706,604	 \$686,673,998	 \$786,839,929
 COM Awards as a Percentage of University-wide Awards	 32%	 38%	 37%	 30%	 29%

* Preliminary, subject to change

Active College of Medicine Grants

A summary of the number of active COM grants and their expiration dates is provided in the table below. This type of laddering of expiration dates is typical in University research. Often grants are written to expire and then are later renewed or extended.

Calendar Year	Active COM Grants	
<u>Expiring</u>	<u>Number</u>	<u>% of Total</u>
2020	303	17%
2021	481	28%
2022	292	17%
2023	257	15%
2024	247	14%
2025 and later	<u>165</u>	<u>9%</u>
Total	1,745	100%

New approved grants will not be included in this table until the project starts. The University continually applies for new grants and, as of August 25, 2020, the University has 435 proposals currently being evaluated by grantor agencies. Over the past five years, COM submitted an average of 116 proposals per month, and this average has continued through this year despite the COVID-19 pandemic. The success rate for approval of proposals submitted by the COM over the past five years is 24%. As shown in the table titled “University-Wide Grant Proposals and Awards”, the number of grants award to the University has not been impacted by the COVID-19 pandemic, and this trend has continued for the first months of Fiscal year 2020-21.

Description of Pledged Revenues

The Clinical Translational Research Building Bonds (the “CTRB Bonds”) are secured by a first lien on the University’s indirect costs revenues received by the COM from Federal, State and private grants (“Pledged Revenues”).

Grants are awarded based on proposals submitted by the University to granting agencies and are typically comprised of direct and indirect costs components (“IDCs”). The direct costs component is used to pay for direct costs of research, such as salaries of researchers and equipment used directly for research. The IDC is based upon a formula

and is used to reimburse the University for indirect costs of doing research, such as building and equipment depreciation, administrative salaries, and building operation and maintenance. Actual payment of such indirect costs are budgeted and paid from other University funds, thereby making the indirect costs revenues available for other items, such as debt service.

The University currently receives an indirect costs reimbursement rate of 52.5% of direct charges for the COM Federal grants from the National Institutes of Health. However, each grant award is negotiated separately. State and other grantors, as well as some Federal grantors, may have lower and, in some cases, even no indirect costs reimbursement.

The University manages all research grants, including COM research grants, and the receipt of all grants revenues through the Office of Contracts and Grants Accounting Services. The University accounts for direct charges to grants and IDCs in separate funds. While some grants are based on a fixed fee, the majority are cost-reimbursable. For cost reimbursable grants, the University incurs direct allowable costs, many of which are salaries/benefits and then bills the grantor for both these direct costs, as well as calculated IDCs, at least monthly. Fixed fee grants are those which the sponsor agrees to pay a given amount (direct and indirect, if applicable) based on a deliverable (e.g., progress report, financial report, test performed, or patients seen). The indirect costs revenues are recorded at the time of the payment for these grants.

Prior to September 1, 2014, the lien on the Pledged Revenues was junior to the lien of the University of Florida Research Foundation, Inc. Capital Improvement Revenue Bonds, Series 2003 (the “2003 Bonds”) on the same revenues. However, the 2003 Bonds are no longer outstanding and the University Board of Trustees did not issue or approve the issuance of any obligations on a parity with or senior to the 2003 Bonds, and has covenanted that it will not issue or approve the issuance of any such obligation. The First Supplemental Resolution authorizing the 2020A Bond (included as Appendix E) provides that all provisions of the Original Resolution (included as Appendix D) relating to the 2003 Bonds are adjusted to the extent necessary to reflect that the 2003 Bonds are no longer outstanding and that the CTRB Bonds have a first lien pledge on the Pledged Revenues.

Revenues and Debt Service Coverage

Historical Revenues and Debt Service Coverage. The table below shows historical grant revenues, broken down by source, for both the direct and indirect costs revenues components for COM grants from Fiscal Year 2015-16 through 2019-20. The revenues from the direct costs components vary from year-to-year, in part, depending on timing of billings to grantor agencies and purchases of equipment and supplies allowed under particular grants. There can also be fluctuations in direct costs revenues that are not correspondingly reflected in indirect costs revenues due to large awards that do not provide any indirect costs recovery component (i.e. construction grants, large equipment grants, state excellence awards and certain sponsor specific initiatives). For example, direct costs revenues for Fiscal Years 2015-16 through 2017-18 increased 9%, then fell in Fiscal Year 2018-19 with the loss of one major contract, and then decreased slightly in Fiscal Year 2019-20 as a result of the COVID-19 pandemic limiting certain research activities on campus during the last quarter of that year, as well as the amount of revenues collected from sponsors. However, indirect costs revenues grew significantly from Fiscal Year 2015-16 to 2019-20, with the federal reimbursement rate increase from 46.5% to 52.5% in 2016, applicable to new awards.

**University of Florida
College of Medicine
Grant Revenues and Debt Service Coverage**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Direct Costs Revenues					
Federal	\$107,381,250	\$109,715,983	\$119,683,210	\$110,930,222	\$94,014,951
State	14,517,735	15,998,521	16,242,025	15,645,406	13,497,187
Other	<u>55,632,201</u>	<u>61,250,787</u>	<u>58,131,566</u>	<u>55,869,732</u>	<u>50,896,781</u>
Total Direct Costs Revenues	\$177,531,186	\$186,965,291	\$194,056,801	\$182,445,360	\$158,408,919
Indirect Costs Revenues (Pledged Revenues)					
Federal	\$25,187,937	\$27,858,594	\$29,361,193	\$30,714,485	\$32,071,653
State	708,356	807,290	846,174	839,629	768,476
Other	<u>5,735,765</u>	<u>6,928,669</u>	<u>7,729,442</u>	<u>8,265,218</u>	<u>8,189,884</u>
Total Indirect Costs Revenues	\$31,632,058	\$35,594,553	\$37,936,809	\$39,819,332	\$41,030,013
Annual Debt Service on CTRB Bonds*	\$2,338,235	\$2,342,221	\$2,338,814	\$2,338,857	\$2,341,153
Coverage of Annual Debt Service (based only on Indirect Costs Revenues)	13.53x	15.20x	16.22x	17.03x	17.53x

* From Fiscal Year 2015-16 through Fiscal Year 2019-20, the only CTRB Bonds Outstanding were the Series 2011 Bonds, and all of the remaining Outstanding Series 2011 Bonds will be refunded by the Series 2020A Bond.

Projected Revenues and Debt Service Coverage. Projected revenues and debt service coverage ratios are provided in the following table. At this time, the University does not have plans to issue future debt secured by the Pledged Revenues. **The projections have been prepared by the University based upon the most recent available information, which is believed to be accurate. The University has not prepared a formal study; however, based on historical trends the University projects that future direct and indirect costs revenues will increase by 2% each year during the forecast period. It is important to note that a portion of the current grants will expire before final maturity of the 2020A Bond, and continued payment of debt service from the Pledged Revenues is dependent upon the University's success in obtaining future grants that will generate indirect costs revenues sufficient to pay debt service. Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein. Undue reliance should not be placed on these projections.**

As discussed in the above Historical Revenues and Debt Service Coverage information, the COVID-19 pandemic limited certain research activities on campus during the last quarter of Fiscal Year 2019-20, and limited the amount of revenues collected from sponsors during that period. Although the COVID-19 pandemic temporarily limited certain research activities and revenue collection during the last quarter of Fiscal Year 2019-20, COM researchers were able to continue working during the pandemic on essential research activities, and all other classifications of research activities were gradually permitted to resume based on the University's Research Resumption Plan. As of June 18, 2020, the UF researchers entered stage 3 of 4 of the Resumption Plan, at which point all categories of research are permitted. The most significant remaining restriction specific to research activities is a limit on the allowed density of people per laboratory. Any impacts to research activities and revenue collection resulting from the COVID-19 pandemic limitations are anticipated to be one-time, non-recurring impacts. However, because of the uncertainties involved with COVID-19 no assurances can be given regarding future research activities. In the event the researchers' access to campus is limited or restricted are reinstituted, research activities could be less than projected. Investors should be aware of the risk of material deviation from projections to actual research activities and the corresponding revenues.

**University of Florida
College of Medicine
Projected Grant Revenues and Debt Service Coverage**

	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>
Direct Costs Revenues					
Federal	\$99,721,019	\$101,715,440	\$103,749,749	\$105,824,744	\$107,941,238
State	15,087,289	15,389,035	15,696,815	16,010,752	16,330,967
Other	<u>52,204,653</u>	<u>52,248,746</u>	<u>54,313,720</u>	<u>55,399,995</u>	<u>56,507,995</u>
Total Direct Costs Revenues	\$167,012,961	\$169,353,221	\$173,760,284	\$177,235,491	\$180,780,200
Indirect Costs Revenues (Pledged Revenues)					
Federal	\$34,018,185	\$34,698,548	\$35,392,519	\$36,100,370	\$36,822,377
State	859,010	876,190	893,714	911,588	929,820
Other	<u>8,400,336</u>	<u>8,568,343</u>	<u>8,739,709</u>	<u>8,914,504</u>	<u>9,092,794</u>
Total Indirect Costs Revenues	\$43,277,531	\$44,143,081	\$45,025,942	\$45,926,462	\$46,844,991
Projected Debt Service on CTRB Bonds*					
Annual Debt Service	\$2,134,717	\$2,129,934	\$2,129,311	\$2,131,811	\$2,134,288
Maximum Annual Debt Service	\$2,135,069	\$2,135,069	\$2,135,069	\$2,135,069	\$2,135,069
Projected Coverage Ratios (based only on Indirect Costs Revenues)*					
Annual Debt Service	20.27x	20.73x	21.15x	21.54x	21.95x
Maximum Annual Debt Service	20.27x	20.68x	21.09x	21.51x	21.94x

* Represents projected debt service on the Series 2020A Bond; preliminary and subject to change based on the final Series 2020A Bond. The Series 2020A Bond will be the only Outstanding CTRB Bonds as of the date of issuance.

Financial Statements

The University's unaudited financial statements for Fiscal Year 2019-20 are attached to the Official Notice of Bond Sale as Appendix B. The University's audited financial statements for Fiscal Year 2018-19 are attached to the Official Notice of Bond Sale as Appendix C. Additional historical audited financial statements of the University can be found on the website of the Florida Auditor General. For financial reporting purposes, operations of the COM are included as part of the University-wide financial statements.

STATEMENT OF NET POSITION as of June 30, 2020 (amounts expressed in thousands)

	University of Florida	
	2020	2019
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 262	\$ 2,559
Investments	1,650,553	1,640,768
Accounts Receivable, Net	118,293	99,473
Loans and Notes Receivable, Net	2,377	2,549
Due From State	97,849	100,287
Due From Component Units/University	56,295	61,241
Inventories	4,845	4,491
Other Current Assets	2,991	3,241
Total Current Assets	1,933,465	1,914,609
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,589	10,462
Restricted Investments	211,580	172,728
Other Noncurrent Investments	137,029	141,308
Loans and Notes Receivable, Net	23,485	27,717
Depreciable Capital Assets, Net	1,882,250	1,882,135
Nondepreciable Capital Assets	180,627	137,910
Other Noncurrent Assets	-	78
Total Noncurrent Assets	2,441,560	2,372,338
TOTAL ASSETS	4,375,025	4,286,947
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Pension Resources	279,039	309,874
Deferred Outflows of Other Postemployment Benefits Payable	171,370	16,164
Other Deferred Outflows	8,883	9,184
TOTAL DEFERRED OUTFLOWS OF RESOURCES	459,292	335,222
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,834,317	\$ 4,622,169
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 78,539	\$ 91,269
Salaries and Wages Payable	62,098	51,092
Due To Component Units/University	199,343	221,822
Unearned Revenue	40,281	58,199
Deposits Held in Custody	5,699	6,165
Other Current Liabilities	2,350	-
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	9,992	9,547
Loans and Notes Payable	428	418
Installment Purchase Agreements Payable	570	452
Capital Leases Payable	199	187
Compensated Absences Payable	10,773	11,377
Other Postemployment Benefits Payable	16,023	15,774
Net Pension Liability	3,313	4,198
Total Current Liabilities	429,608	470,500

STATEMENT OF NET POSITION as of June 30, 2020 *(amounts expressed in thousands)*

	University of Florida	
	2020	2019
Noncurrent Liabilities:		
Capital Improvement Debt Payable	\$ 139,454	\$ 149,953
Loans and Notes Payable	3,891	4,319
Installment Purchase Agreements Payable	2,047	48
Capital Leases Payable	1,780	1,980
Compensated Absences Payable	126,597	113,459
Other Postemployment Benefits Payable	1,222,978	1,027,774
Net Pension Liability	721,566	639,920
Other Noncurrent Liabilities	14,632	23,286
Total Noncurrent Liabilities	2,232,945	1,960,739
TOTAL LIABILITIES	2,662,553	2,431,239
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Pension Resources	48,509	60,653
Deferred Inflows of Other Postemployment Benefits Payable	224,913	216,538
TOTAL DEFERRED INFLOWS OF RESOURCES	273,422	277,191
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,935,975	2,708,430
NET POSITION		
Net Investment in Capital Assets	1,934,964	1,883,887
Restricted:		
Expendable:		
Loans	41,655	40,117
Capital Projects	228,350	195,724
Debt Service	4,535	5,575
Other	60,833	41,982
Unrestricted	(371,995)	(253,546)
TOTAL NET POSITION	1,898,342	1,913,739
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 4,834,317	\$ 4,622,169

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
for the Fiscal Year Ended June 30, 2020
(amounts expressed in thousands)

	University of Florida	
	2019-20	2018-19
OPERATING REVENUES		
Student Tuition and Fees	\$ 667,287	\$ 599,683
Scholarship Allowances	(267,660)	(224,652)
Student Tuition and Fees, Net of Scholarship Allowances	399,627	375,031
Federal Grants and Contracts	480,988	497,867
State and Local Grants and Contracts	46,763	49,871
Nongovernmental Grants and Contracts	915,825	894,253
Sales and Services of Auxiliary Enterprises	114,678	131,381
Sales and Services of Educational Departments	53,771	55,886
Interest on Loans and Notes Receivable	1,037	1,130
Other Operating Revenues	6,335	4,381
Total Operating Revenues	2,019,024	2,009,800
OPERATING EXPENSES		
Employee Compensation and Benefits	2,429,893	2,271,619
Services and Supplies	528,757	577,319
Utilities and Communications	75,509	78,288
Scholarships, Fellowships, and Waivers, Net	198,968	163,122
Depreciation	154,351	143,106
Total Operating Expenses	3,387,478	3,233,454
Operating Loss	(1,368,454)	(1,223,654)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	788,598	790,425
Federal and State Student Financial Aid	244,324	231,233
Noncapital Grants, Contracts, and Gifts	185,016	184,502
Investment Income	47,244	52,773
Net Increase in the Fair Value of Investments	16,836	32,626
Investment Expenses	(3,559)	(3,096)
Other Nonoperating Revenues	24,126	3,419
Loss on Disposal of Capital Assets	(142)	(179)
Interest on Capital Asset-Related Debt	(6,742)	(6,124)
Other Nonoperating Expenses	(3,332)	(2,972)
Net Nonoperating Revenues (Expenses)	1,292,369	1,282,607
Income (Loss) Before Other Revenues	(76,085)	58,953
State Capital Appropriations	46,048	73,379
Capital Grants, Contracts, and Donations	14,640	25,449
Total Other Revenues	60,688	98,828
Increase (Decrease) in Net Position	(15,397)	157,781
Net Position, Beginning of Year	1,913,739	1,755,958
Net Position, End of Year	\$ 1,898,342	\$ 1,913,739

ON THE RISE

UNIVERSITY OF FLORIDA ANNUAL FINANCIAL REPORT | 2018-2019



An aerial photograph of the University of Florida campus, featuring a large modern building with a flat roof and a historic building with a prominent steeple. The image is overlaid with a warm orange and yellow gradient, giving it a sunset or sunrise appearance. The text "UNIVERSITY OF FLORIDA ANNUAL FINANCIAL REPORT" is written in large, white, sans-serif capital letters across the upper left portion of the image.

UNIVERSITY OF FLORIDA ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

An aerial photograph of a university campus. On the left, a tall, ornate clock tower with a stone facade and arched windows stands out. To its right and further back are several modern, multi-story buildings with flat roofs and large windows. The campus is filled with lush green trees, and a paved walkway or road is visible in the foreground. The lighting suggests a late afternoon or early morning scene, with long shadows and a warm glow on the left side of the image.

CONTENTS

4	University Overview
6	Introduction from the Vice President and Chief Financial Officer
8	Independent Auditor's Report on Financial Statements
10	Management's Discussion and Analysis
18	Basic Financial Statements
18	Statement of Net Position
20	Statement of Revenues, Expenses, and Changes in Net Position
21	Statement of Cash Flows
22	Notes to the Financial Statements
53	Other Required Supplementary Information
56	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
58	University of Florida Board of Trustees

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:

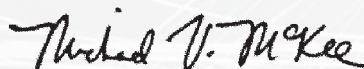
- The University made great strides in the 2019 fiscal year, rising to its highest ranking ever as the No. 7 public university as reported in *US News and World Report*. Ranking factors include: undergraduate academic reputation, graduation and retention rates, faculty resources, student selectivity, 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.

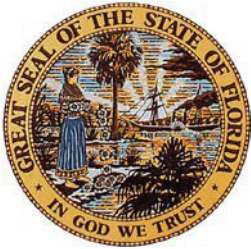
- The Office of the CFO created a new unit called the Continuous Improvement Office tasked with building a culture of continuous improvement across the University. The Continuous Improvement model is the foundation of formal techniques such as Lean, Six Sigma, Agile and others. Areas such as foreign 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

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



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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the University of 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.

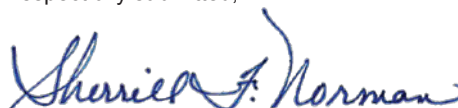
Report on Partial Comparative Information

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.

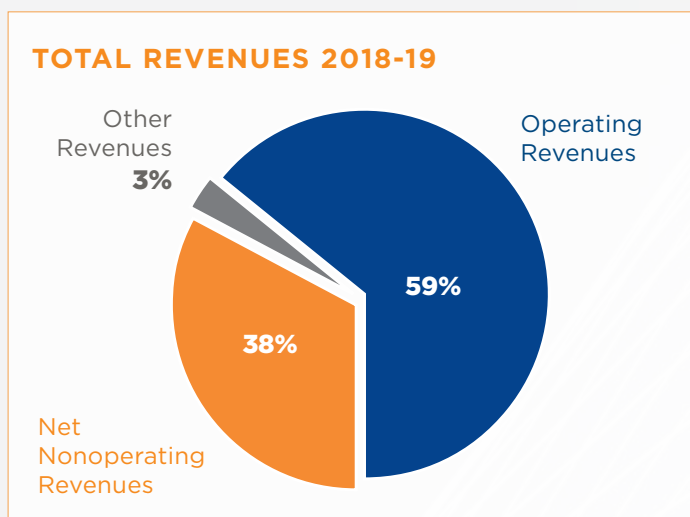
The University of Florida has a strong and diverse revenue base. Operating revenues, which are revenues generated by the University in fulfilling its instruction, research, and public service missions, totaled \$2.0 billion for the 2018-19 fiscal year, representing a 3.6% increase over the 2017-18 fiscal 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	4,287.0	3,978.5
Deferred Outflows of Resources	335.2	314.8
Total Assets and Deferred Outflows of Resources	4,622.2	4,293.3
Liabilities:		
Current Liabilities	470.6	425.6
Noncurrent Liabilities	1,960.7	1,922.3
Total Liabilities	2,431.3	2,347.9
Deferred Inflows of Resources	277.2	189.5
Total Liabilities and Deferred Inflows of Resources	2,708.5	2,537.4
Net Position:		
Net Investment in Capital Assets	1,883.9	1,800.3
Restricted	283.4	206.9
Unrestricted	(253.6)	(251.3)
Total Net Position	\$ 1,913.7	\$ 1,755.9

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)

	2019	2018
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.		

A photograph of a University of Florida building, likely the Old College building, taken from a low angle looking up. The building features a red brick roof and large, multi-paned windows. The entire image is overlaid with a warm, orange-to-yellow gradient, suggesting a sunset or sunrise. The text is centered in the upper half of the image.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019



24	Summary of Significant Accounting Policies
28	Reporting Changes
28	Adjustments to Beginning Net Position
29	Deficit Net Position in Individual Funds
29	Investments
32	Receivables
33	Due From State
33	Due From and To Component Units/University
33	Capital Assets
34	Museum and Art Collections
34	Deferred Outflows/Inflows Of Resources
34	Unearned Revenue
34	Long-Term Liabilities
40	Retirement Plans
46	Construction Commitments
46	State Self-Insurance Programs
46	University Self-Insurance Programs
47	Litigation and Contingencies
47	Functional Distribution of Operating Expenses
47	Component Units
47	Segment Information

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 (JHMH) 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	<u>\$1,269,228,000</u>	<u>\$1,043,548,000</u>	<u>\$ 867,848,000</u>

■ **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	<u>\$ 844,135,000</u>	<u>\$ 1,043,548,000</u>	<u>\$1,311,194,000</u>

■ **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	<u>\$ 16,164,000</u>	<u>\$ 216,538,000</u>	

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	<u>\$ (216,538,000)</u>

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	8,250,927	-	1.0 year
Total	\$ 32,431,989	\$ 16,833,939	

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	<u>\$ 178,472,935</u>	<u>\$ 156,700,718</u>	<u>\$ 138,552,312</u>

■ **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 JHMH, 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	1,912,152	78,915	-	7,922
Total Assets	2,103,290	379,025	175,278	52,829
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	44,906	122,303	-	10,013
Total Liabilities	91,082	210,029	68,744	49,930
Deferred Inflows of Resources				
Deferred Amounts Related to Pensions	432	-	-	-
Other Deferred Outflows	19,140	-	-	-
Total Liabilities and Deferred Inflows of Resources	110,654	210,029	68,744	49,930
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	18,109	54,463	106,534	2,892
Total Net Position	\$ 1,992,636	\$ 168,996	\$ 106,534	\$ 2,899
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION				
Operating Revenues	\$ 107,095	\$ 151,450	\$ 83,733	\$ 971
Operating Expenses	(169,749)	(142,677)	(81,566)	(1,078)
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	53,823	-	-	-
Change in Net Position	109,902	13,245	4,480	1,568
Net Position, Beginning of Year	1,965,510	155,751	102,054	1,331
Adjustments to Beginning Net Position (Note 3)	(82,776)	-	-	-
Net Position, Beginning of Year, as Restated	1,882,734	155,751	102,054	1,331
Net Position, End of Year	\$ 1,992,636	\$ 168,996	\$ 106,534	\$ 2,899

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
18,184	12,056	6,053	4,043	2,750,758
-	4,444	4,663	-	125,915
8,546	286	235	138	134,960
-	-	110	-	177,332
8,546	4,730	5,008	138	438,207
-	-	-	-	432
-	-	-	-	19,140
8,546	4,730	5,008	138	457,779
3,356	5,244	1	-	174,987
-	-	492	-	1,362,410
-	-	-	-	552,492
-	-	-	3,462	11,733
6,282	2,082	552	443	191,357
\$ 9,638	\$ 7,326	\$ 1,045	\$ 3,905	\$ 2,292,979
\$ 1,601	\$ 1,889	\$ 40,234	\$ 5,879	\$ 392,852
(1,260)	(2,286)	(3,905)	(10,298)	(412,819)
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
537	(4,841)	3	(295)	124,599
9,101	12,167	1,042	4,200	2,251,156
-	-	-	-	(82,776)
9,101	12,167	1,042	4,200	2,168,380
\$ 9,638	\$ 7,326	\$ 1,045	\$ 3,905	\$ 2,292,979

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	679,788	40,976	-	-	720,764
Total Assets	2,258,063	549,304	223,827	59,119	3,090,313
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	51,125	176	-	-	51,301
Total Assets and Deferred Outflows of Resources	2,376,369	555,337	223,827	59,119	3,214,652
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	865,915	227,471	23,419	2,645	1,119,450
Total Liabilities	1,164,268	358,467	89,820	2,647	1,615,202
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	2,325	3,101	-	-	5,426
Total Liabilities and Deferred Inflows of Resources	1,189,971	365,409	89,820	2,647	1,647,847
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	918,258	141,535	-	-	1,059,793
Total Net Position	\$ 1,186,398	\$ 189,928	\$ 134,007	\$ 56,472	\$ 1,566,805
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	(1,482,863)	(717,352)	(10,950)	(1,322)	(2,212,487)
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	(100,810)	(42,093)	-	-	(142,903)
Change in Net Position	81,301	(3,558)	12,166	3,746	93,655
Net Position, Beginning of Year	1,105,097	193,486	121,841	52,726	1,473,150
Net Position, End of Year	\$ 1,186,398	\$ 189,928	\$ 134,007	\$ 56,472	\$ 1,566,805

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	<u>80,350,926</u>	<u>128,335,707</u>
Liabilities		
Current Liabilities	4,230,908	8,770,677
Noncurrent Liabilities	<u>42,661,396</u>	<u>52,429,658</u>
Total Liabilities	<u>46,892,304</u>	<u>61,200,335</u>
Net Position		
Net Investment in Capital Assets	16,051,223	59,285,951
Restricted	1,785,575	2,175,176
Unrestricted	<u>15,621,824</u>	<u>5,674,245</u>
Total Net Position	<u>\$ 33,458,622</u>	<u>\$ 67,135,372</u>
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	<u>(6,664,009)</u>	<u>(45,230,046)</u>
Operating Income	<u>7,030,234</u>	<u>3,982,315</u>
Nonoperating Revenues (Expenses)		
Investment Income	64,635	-
Interest on Capital Asset-Related Debt	(1,419,651)	(2,555,159)
Other Nonoperating Revenues (Expenses)	<u>(13,725,348)</u>	<u>1,418,959</u>
Net Nonoperating Revenues (Expenses)	<u>(15,080,364)</u>	<u>(1,136,200)</u>
Change in Net Position	(8,050,130)	2,846,115
Net Position, Beginning of Year	<u>41,508,752</u>	<u>64,289,257</u>
Net Position, End of Year	<u>\$ 33,458,622</u>	<u>\$ 67,135,372</u>
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	<u>(16,885,092)</u>	<u>(10,248,134)</u>
Net Decrease in Cash and Cash Equivalents	-	(9,052,226)
Cash and Cash Equivalents, Beginning of Year	<u>-</u>	<u>9,052,226</u>
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ -</u>



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

	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
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	(50,296,368)	(46,118,091)	(39,948,341)	(38,017,855)	(38,680,557)	(33,264,015)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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

	2018 (1) (6)	2017 (1) (5)	2016 (1) (4)	2015 (1) (3)	2014 (1) (2)	2013 (1)
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:

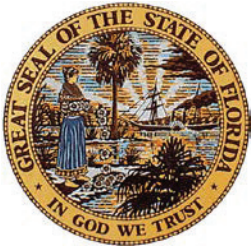
- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Change of assumption - The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.
- (3) Change of assumption - The municipal rate used to determine total pension liability decreased 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

	2019 (1)	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
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	(8,250,927)	(8,028,939)	(7,783,620)	(7,538,309)	(5,578,364)	(4,834,988)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of 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,



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

University of Florida Board of Trustees



MORI HOSSEINI
Chair



THOMAS G. KUNTZ
Vice Chair



DAVID L. BRANDON



JAMES W. HEAVENER



LEONARD H. JOHNSON



MICHAEL C. MURPHY
Student Body President



DANIEL T. O'KEEFE



RAHUL PATEL



MARSHA D. POWERS



DR. JASON J. ROSENBERG



ROBERT G. STERN



RAY G. THOMAS
Faculty Senate Chair



ANITA G. ZUCKER

UNIVERSITY OF FLORIDA CABINET

Dr. W. Kent Fuchs
President

Elias G. Eldayrie
Vice President and
Chief Information Officer

Zina L. Evans
Vice President for Enrollment
Management and Associate Provost

Antonio Farias
Chief Diversity Officer and
Senior Advisor to the President

Jodi Gentry
Vice President for Human Resources

Dr. Joseph Glover
Provost and Senior Vice President for
Academic Affairs

Amy M. Hass
Vice President and
General Counsel

Edward Jimenez
CEO, UF Health
Shands

Mark Kaplan
Vice President for Government and
Community Relations

Dr. Charles E. Lane
Senior Vice President and Chief Operating Officer

Michael V. McKee
Vice President and
Chief Financial Officer

Thomas J. Mitchell
Vice President for
Advancement

Dr. David R. Nelson
Senior Vice President for Health Affairs
President, UF Health

Dr. David P. Norton
Vice President for Research

Nancy E. Paton
Vice President for Strategic
Communications and Marketing

Dr. Jack M. Payne
Senior Vice President for
Agriculture and Natural Resources

Dr. Win Phillips
Executive Chief of Staff
Interim Vice President for Student Affairs

Curtis Reynolds
Vice President for
Business Affairs

Scott Stricklin
Director of Athletics

PRINCIPAL FINANCE AND ACCOUNTING OFFICIALS

Alan M. West
Assistant Vice President and University Controller

Bradley W. Bennett
Senior Associate Controller for University Bursar,
Treasury Management, and Payroll and Tax Services

Ruth Harris
Senior Associate Controller for Disbursements,
Asset Management, Cost Analysis,
and Construction Accounting



UF | UNIVERSITY of
FLORIDA

Alan M. West, Assistant Vice President and University Controller
Post Office Box 113200, Tigert Hall, Room 207, Gainesville, FL 32611-3200 | awest@ufl.edu

PHOTOS BY UF PHOTOGRAPHY

DIVISION OF BOND FINANCE
OF THE
STATE BOARD OF ADMINISTRATION

A RESOLUTION AUTHORIZING THE ISSUANCE OF
STATE OF FLORIDA, BOARD OF GOVERNORS,
UNIVERSITY OF FLORIDA
CLINICAL TRANSLATIONAL RESEARCH BUILDING REVENUE BONDS
SERIES 2011A

Adopted February 1, 2011

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS AND AUTHORITY

Section 1.01.	AUTHORITY FOR THIS RESOLUTION	1
Section 1.02.	RESOLUTION TO CONSTITUTE CONTRACT	1
Section 1.03.	DEFINITIONS	1

ARTICLE II AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, TRANSFER AND ISSUANCE OF BONDS

Section 2.01.	AUTHORIZATION OF 2011A BONDS	11
Section 2.02.	DESCRIPTION OF BONDS	12
Section 2.03.	BONDS MAY BE ISSUED AS SERIAL BONDS TERM BONDS, ETC.	13
Section 2.04.	PRIOR REDEMPTION OF THE BONDS	13
Section 2.05.	EXECUTION OF BONDS	15
Section 2.06.	NEGOTIABILITY	16
Section 2.07.	REGISTRATION AND TRANSFER	17
Section 2.08.	AUTHENTICATION	18
Section 2.09.	DISPOSITION OF BONDS PAID OR EXCHANGED	18
Section 2.10.	BONDS MUTILATED, DESTROYED, STOLEN OR LOST	19
Section 2.11.	FORM OF BONDS	20

ARTICLE III APPLICATION OF PROCEEDS

Section 3.01.	CONSTRUCTION OF A PROJECT	23
Section 3.02.	APPLICATION OF BOND PROCEEDS	23
Section 3.03.	INVESTMENT OF PROJECT CONSTRUCTION FUND	25

ARTICLE IV APPLICATION AND ADMINISTRATION OF PLEDGED REVENUES

Section 4.01.	BONDS SECURED BY PLEDGED REVENUES	25
Section 4.02.	APPLICATION OF PLEDGED REVENUES	26

ARTICLE V
ADDITIONAL BONDS AND REFUNDING REQUIREMENTS

Section 5.01.	ISSUANCE OF ADDITIONAL BONDS	30
Section 5.02.	REFUNDING BONDS	31
Section 5.03.	ISSUANCE OF OTHER OBLIGATIONS OR CREATION OF ENCUMBRANCES	31
Section 5.04.	COMPLETION BONDS	32
Section 5.05.	NO ACCELERATION	32

ARTICLE VI
COVENANTS

Section 6.01.	PLEDGE OF PLEDGED REVENUES	32
Section 6.02.	PLEDGED REVENUE COVENANTS	32
Section 6.03.	COMPLIANCE WITH TAX REQUIREMENTS	33
Section 6.04.	CONTINUING DISCLOSURE	36

ARTICLE VII
REMEDIES

Section 7.01.	ENFORCEABILITY BY REGISTERED OWNERS	37
---------------	---	----

ARTICLE VIII
MISCELLANEOUS

Section 8.01.	RESOLUTION NOT ASSIGNABLE	38
Section 8.02.	MODIFICATION OR AMENDMENT	38
Section 8.03.	NONPRESENTMENT OF BONDS; FUNDS HELD FOR BOND AFTER DUE DATE OF BONDS	40
Section 8.04.	DEFEASANCE	41
Section 8.05.	SURVIVAL OF CERTAIN PROVISIONS	43
Section 8.06.	BOND ANTICIPATION NOTES	43
Section 8.07.	CAPITAL APPRECIATION BONDS	44
Section 8.08.	TRUST FUNDS	44
Section 8.09.	FISCAL AGENT	45
Section 8.10.	SUBSTITUTE FOR MAILING	45
Section 8.11.	INSTRUMENTS OF REGISTERED OWNERS	45
Section 8.12.	VALIDATION AUTHORIZED	46
Section 8.13.	GOVERNING LAW	46
Section 8.14.	SEVERABILITY OF INVALID PROVISIONS	46
Section 8.15.	REPEAL OF INCONSISTENT RESOLUTIONS	47
Section 8.16.	AMENDMENT OF THIS RESOLUTION	47
Section 8.17.	EFFECTIVE DATE	48

**A RESOLUTION AUTHORIZING THE ISSUANCE OF
STATE OF FLORIDA, BOARD OF GOVERNORS,
UNIVERSITY OF FLORIDA CLINICAL TRANSLATIONAL
RESEARCH BUILDING REVENUE BONDS, SERIES 2011A,
TO FINANCE THE CONSTRUCTION OF A CLINICAL
TRANSLATIONAL RESEARCH BUILDING; PROVIDING
FOR CERTAIN COVENANTS IN CONNECTION
THEREWITH; AND PROVIDING FOR AN EFFECTIVE
DATE.**

**BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF
FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF
THE STATE BOARD OF ADMINISTRATION:**

ARTICLE I

DEFINITIONS AND AUTHORITY

SECTION 1.01. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to the provisions of Article VII, Section 11(d) of the Florida Constitution; Sections 215.57-215.83, Florida Statutes (the “State Bond Act”); Section 1010.62, Florida Statutes, and other applicable provisions of law.

SECTION 1.02. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds by those who shall be Registered Owners of the same from time to time, this Resolution shall be deemed to be and shall constitute a contract among the Division of Bond Finance, the Board of Governors, the University of Florida, and such Registered Owners. The covenants and agreements to be performed by the Board of Governors and the University shall be for the equal benefit, protection, and security of the Registered Owners of any and all of the Bonds, as defined herein, all of which shall be of equal rank and without preference, priority, or distinction as to any of such Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 1.03. DEFINITIONS. The following terms shall have the following meanings in this Resolution unless the text otherwise requires:

“2003 Bonds” means the \$35,000,000 University of Florida Research Foundation, Inc. Capital Improvement Revenue Bonds, Series 2003.

“2011A Bonds” means the State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011A (or such other designation as may be determined by the Director of the Division).

“2011A Project” means, subject to any deletions, modifications, or substitutions deemed necessary and expedient and approved by resolution of the Board of Governors, the construction of a clinical translational research building on the University’s Gainesville Campus.

“Accreted Value” means, as of any date of computation with respect to any Capital Appreciation Bonds, an amount equal to the principal amount of such Capital Appreciation Bond at its initial offering plus the accrued interest on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Payment Date next preceding the date of computation or to the date of computation if such date is an Interest Payment Date, such interest to accrue at a rate per annum determined pursuant to a subsequent resolution of the Division (not to exceed the maximum rate permitted by law), compounded periodically, plus, with respect to matters related to the payment upon redemption of the Capital Appreciation Bond, if such date of computation shall not be an Interest Payment Date, the ratable portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of delivery of the Bonds to the original purchasers thereof if the date of computation is prior to the first Interest Payment Date succeeding the date of delivery) and the Accreted Value as of the immediately

succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of twelve 30-day months.

“Additional Bonds” means any obligations issued pursuant to the terms and conditions of this Resolution and payable from the Pledged Revenues on a parity with the Bonds previously issued hereunder. Such Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Bonds previously authorized and issued pursuant to this Resolution, and all of the applicable covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent herewith), shall be for the equal benefit, protection and security of the Registered Owners of the Bonds previously authorized and issued pursuant to this Resolution, and the Registered Owners of any Additional Bonds evidencing additional obligations subsequently issued within the limitations of and in compliance with this Resolution. All of such Additional Bonds, regardless of the time or times of their issuance, shall rank equally with other Bonds with respect to their lien on and source and security for payment from the Pledged Revenues without preference or priority of any Bonds over any other.

“Administrative Expenses” means, with respect to the Bonds or the administration of any funds under this Resolution, to the extent applicable: (i) fees or charges, or both, of the Board of Administration and the Division of Bond Finance; and (ii) such other fees or charges, or both, as may be approved by the Board of Administration or the Division of Bond Finance, including but not limited to those relating to tax law compliance, disclosure of information, paying agents, rating agencies and providers of credit enhancement; all as may be determined from time to time as necessary.

“Amortization Installment” means an amount so designated which is established for the Term Bonds of each Series; provided that each such Amortization Installment shall be deemed due

upon the date determined pursuant to a subsequent resolution adopted by the Division of Bond Finance and the aggregate of such Amortization Installments for each Series shall equal the aggregate principal of the Term Bonds of such Series.

“Annual Debt Service Requirement” means, for any Fiscal Year, the remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be) required to be deposited in such Fiscal Year into the Sinking Fund to pay the interest, principal and Amortization Installment in such Fiscal Year, provided that any interest, principal, or Amortization Installment payable on July 1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year, excluding the Amortization Installment due in the year of maturity, shall not be included as part of the Amortization Installment in determining the Annual Debt Service Requirement for that Fiscal Year.

“Assistant Secretary” means an Assistant Secretary of the Division of Bond Finance.

“Board of Administration” means the State Board of Administration, as created pursuant to the provisions of Article IV, Section 4, Florida Constitution and Chapter 215, Florida Statutes.

“Board of Governors” or **“Board”** means the Board of Governors created by Article IX, Section 7 of the Florida Constitution, and includes any other entity succeeding to the powers thereof.

“Board of Trustees” means the Board of Trustees of the University of Florida.

“Bond Insurance Policy” means an insurance policy issued for the benefit of the Registered Owners of any Bond, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bond to the extent of any deficiency in the amounts in the funds and accounts held under this Resolution, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

“Bond Registrar/Paying Agent” means U.S. Bank Trust National Association, New York, New York, or its successor, unless a different Bond Registrar/Paying Agent is provided for by subsequent resolution of the Division.

“Bonds” means the 2011A Bonds and any Additional Bonds and refunding bonds issued in accordance with this Resolution.

“Bond Year” means, with respect to a particular Series of Bonds issued hereunder, the annual period relevant to the application of Section 148(f) of the Code to the Series of Bonds, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the date of issuance of the Series unless the Division of Bond Finance selects another date on which to end a Bond Year in the manner permitted by the Code.

“Capital Appreciation Bonds” means those Bonds as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding and is payable in an amount equal to the then current Accreted Value at the maturity, earlier redemption or other payment date thereof, and which may be either Serial Bonds or Term Bonds, all as determined pursuant to a subsequent resolution of the Division.

“Code” means the Internal Revenue Code of 1986, as amended, and temporary, proposed or permanent implementing regulations promulgated thereunder.

“Completion Bonds” means those Bonds issued to pay the cost of completing any project financed by the issuance of Bonds and meeting the requirements of Section 5.04 hereof.

“Defeasance Obligations” means, to the extent permitted by law, direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book entry form on the books of the

Department of the Treasury of the United States and including advance refunded tax-exempt bonds fully secured by non-callable direct obligations of the United States of America, non-callable obligations guaranteed by the United States of America, or “stripped” interest payment obligations of debt obligations of the Resolution Funding Corporation.

“Director” means the Director of the Division of Bond Finance and shall include any Assistant Secretary to whom the Director delegates authority.

“Division” or **“Division of Bond Finance”** means the Division of Bond Finance of the State Board of Administration of Florida.

“Fiscal Year” means the period beginning with and including July 1 of each year and ending with and including the next June 30.

“Governing Board” means the Governor and Cabinet of the State of Florida as the governing board of the Division of Bond Finance.

“Interest Payment Date” means, for each Series of Bonds, the dates of each Fiscal Year on which interest on the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division.

“Maximum Annual Debt Service” means, at any time, the maximum remaining amount (with respect to the particular Series of Bonds, or all Bonds, as the case may be), required to be deposited into the Sinking Fund during the then current or any succeeding Fiscal Year. For the purpose of calculating the deposits to be made into a subaccount in the Reserve Account, the Maximum Annual Debt Service means, at any time, the maximum remaining amount, if any, required to be deposited in the then current or any succeeding Fiscal Year into the Sinking Fund with respect to the Bonds for which such subaccount has been established. In the calculation of Maximum Annual Debt Service, any interest, principal, or Amortization Installment payable on July

1 of any Fiscal Year shall be deemed payable in the prior Fiscal Year. The amount of Term Bonds maturing in any Fiscal Year, excluding the Amortization Installment due in the year of maturity, shall not be included as part of the Amortization Installment in determining the Maximum Annual Debt Service for that Fiscal Year.

“Outstanding” means, as of any date of determination, all Bonds theretofore authenticated and delivered except:

(i) Bonds theretofore cancelled by the Bond Registrar/Paying Agent or delivered to the Bond Registrar/Paying Agent for cancellation;

(ii) Bonds which are deemed paid and defeased and no longer Outstanding as provided herein;

(iii) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, stolen or lost, unless evidence satisfactory to the Bond Registrar/Paying Agent has been received that any such Bond is held by a bona fide purchaser;

(iv) For purposes of any consent or other action to be taken hereunder by the Registered Owners of a specified percentage of principal amount of Bonds, Bonds held by or for the account of the Division or the Board of Governors; and

(v) Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount of such payment has been reimbursed to the issuer of such Bond Insurance Policy (or monies have been deposited to defease such payment).

“Pledged Revenues” means the University’s indirect costs revenues received by the College of Medicine from Federal, State and private grants. The lien on the Pledged Revenues is junior to

the lien of the 2003 Bonds on these same revenues. The Board of Trustees has covenanted that it will not issue or approve the issuance of any obligations (excluding refunding obligations that result in annual debt service requirements in each fiscal year that are equal to or less than the annual debt service requirements of the refunded bonds) on a parity with or senior to the 2003 Bonds.

“Principal Payment Date” means, for each Series of Bonds, the dates during each Fiscal Year on which principal of the Outstanding Bonds of such Series is payable, as provided for pursuant to a subsequent resolution of the Division.

“Project Construction Fund” means a trust fund held in the State Treasury in which shall be deposited the net proceeds of the Bonds and other available moneys for the payment of Project Costs.

“Project Costs” means the actual costs of any project financed through the issuance of Bonds, including costs of site acquisition, permits, design and construction; materials, labor, furnishings, equipment, and apparatus; sitework and landscaping, roadway and parking facilities; the acquisition of all lands or interests therein, and all other property, real or personal, appurtenant to or useful in the project; interest on the Bonds for a reasonable period after date of delivery thereof, if necessary; an amount sufficient to establish adequate reserves; architectonic and engineering fees; legal fees; reimbursement for prior authorized expenditures; and fees and expenses of the Division of Bond Finance, the Board of Administration, the University, or the Board of Governors necessary for the renovation or construction and placing in operation of a project and the financing thereof.

“Rating Agency” means a nationally recognized bond rating agency.

“Rebate Amount” means the excess of the amount earned on all nonpurpose investments (as defined in Section 148(f)(6) of the Code) over the amount which would have been earned if such

nonpurpose investments were invested at a rate equal to the yield on the Bonds, plus any income attributable to such excess.

“Rebate Fund” means the Rebate Fund created and established pursuant to Section 6.03 of this Resolution.

“Record Date” means with respect to each Series of Bonds, the 15th day of the calendar month next preceding the month of an Interest Payment Date or Principal Payment Date. With respect to redemption of Bonds prior to maturity, the record date shall be the date 45 days prior to the date fixed for redemption.

“Registered Owner” means any person who shall be the registered owner of any Bonds.

“Reserve Account” means the account within the Sinking Fund created pursuant to Section 4.02 of this Resolution and shall include any subaccounts established for one or more Series of Bonds.

“Reserve Account Credit Facility” means a Reserve Account Insurance Policy, Reserve Account Letter of Credit or other comparable insurance or financial product, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein. Such Reserve Account Credit Facility shall be issued by a provider whose credit facility results in a rating of municipal securities secured thereby in one of the two highest full rating categories of a Rating Agency.

“Reserve Account Insurance Policy” means the insurance policy, surety bond or other acceptable evidence of insurance, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

“Reserve Account Letter of Credit” means the irrevocable, transferable letter of credit, if any, deposited in a debt service reserve subaccount, if any, in lieu of or in partial substitution for cash or securities otherwise required to be on deposit therein.

“Reserve Requirement” means, as of any date of calculation for a particular debt service reserve subaccount, an amount determined pursuant to resolution of the Governing Board, which amount shall not exceed the lesser of (1) the Maximum Annual Debt Service on the Bonds secured by such subaccount, (2) 125% of the average annual debt service of the Bonds secured by such subaccount for the then current and succeeding Fiscal Years, (3) 10% of the original principal amount of the Bonds secured by such subaccount, or (4) the maximum debt service reserve permitted with respect to tax-exempt obligations and applicable to the Bonds secured by such subaccount under the Code.

“Resolution” means this resolution adopted by the Governor and Cabinet as the Governing Board of the Division of Bond Finance, as amended and supplemented from time to time.

“Revenue Fund” means the “University of Florida Indirect Costs Revenues Fund” established pursuant to Section 4.02 of this Resolution.

“Serial Bonds” means the Bonds of a Series which shall be stated to mature in periodic installments.

“Series” or “Series of Bonds” means all of the Bonds authenticated and delivered on original issuance pursuant to this Resolution or any supplemental resolution authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II hereof, regardless of variations in maturity, interest rate or other provisions.

“Sinking Fund” means the University of Florida Indirect Costs Revenues Sinking Fund created and established pursuant to Section 4.02 of this Resolution.

“State” means the State of Florida.

“Term Bonds” means the Bonds of a Series which shall be stated to mature on one date and for the amortization of which payments are required to be made into the Sinking Fund, hereinafter created, as may be determined pursuant to a subsequent resolution of the Division.

“University” means the University of Florida.

Where the context so requires, words importing singular number shall include the plural number in each case and vice versa, words importing persons shall include firms and corporations, and the masculine includes the feminine and vice versa.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, TRANSFER AND ISSUANCE OF BONDS

SECTION 2.01. AUTHORIZATION OF 2011A BONDS. Subject and pursuant to the provisions of this Resolution, fully registered revenue bonds of the Board of Governors to be known as “State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011A” (or such other designation as may be determined by the Director), are hereby authorized to be issued by the Division of Bond Finance in an aggregate principal amount not exceeding Thirty-Three Million Dollars (\$33,000,000), for the purpose of financing all or a portion of the cost of the 2011A Project. Such Bonds may be sold and issued in one or more series, and in combination with other University of Florida Clinical Translational Research Building Revenue Bonds; provided that the actual designation of any series of such Bonds, whether sold in one or more than one series (including a change of year designation, if desirable),

and whether such bonds or any portion thereof are to be taxable or tax-exempt, shall be determined by the Director of the Division of Bond Finance.

SECTION 2.02. DESCRIPTION OF BONDS. The Bonds shall be issued in fully registered form without coupons; shall be dated as determined pursuant to a subsequent resolution of the Division of Bond Finance; shall be numbered consecutively from one upward within each Series and shall be in the denomination of \$1,000 each or any integral multiples thereof; shall bear interest at not exceeding the maximum rate permitted by law, payable on each Interest Payment Date, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof; and shall mature on such dates in such years and amounts as shall be determined pursuant to a subsequent resolution adopted by the Division of Bond Finance on or prior to the sale of the Bonds.

The Bonds may be sold at one time or in Series from time to time as the Division of Bond Finance may determine pursuant to resolution. If issued in Series, each Series shall be dated and have an identifying number or letter. All of such Bonds, when issued, will rank equally as to source and security for payment.

The principal amount of the Bonds shall be paid to the Registered Owner on the maturity date of the Bonds, unless redeemed prior thereto as determined pursuant to a subsequent resolution of the Division of Bond Finance, upon presentation and surrender of the Bonds at the corporate trust office of the Bond Registrar/Paying Agent.

Interest shall be paid on the Interest Payment Dates to the Registered Owner whose name appears on the books of the Bond Registrar/Paying Agent (the “Registered Owner”) as of 5:00 p.m. (local time, New York, New York) on the Record Date next preceding such Interest Payment Date; provided, however, that if the Record Date is a Saturday, Sunday or holiday, then to the Registered

Owner and at the address shown on the registration books at the close of business on the day next preceding such Record Date which is not a Saturday, Sunday or holiday. Interest on the Bonds shall be paid by check or draft mailed (or transferred by a mode at least equally as rapid as mailing) on each Interest Payment Date from the Bond Registrar/Paying Agent to the Registered Owner, or in certain cases shall be paid by wire transfer as provided pursuant to subsequent resolution of the Division of Bond Finance, except for Capital Appreciation Bonds which shall bear interest as described under the defined term Accreted Value, payable only upon redemption or maturity thereof.

SECTION 2.03. BONDS MAY BE ISSUED AS SERIAL BONDS, TERM BONDS, ETC. The Bonds may be issued as, or as a combination of, Serial Bonds, Term Bonds, Capital Appreciation Bonds or such other type of bonds as shall be determined pursuant to a subsequent resolution of the Division of Bond Finance.

SECTION 2.04. PRIOR REDEMPTION OF THE BONDS. The Bonds of each Series may be made redeemable in such manner and upon such terms and conditions as determined pursuant to subsequent resolution adopted by the Governing Board prior to the sale of such Series of Bonds.

Unless waived by any Registered Owner of Bonds to be redeemed, a notice of the redemption prior to maturity of any of the Bonds shall be mailed to each Registered Owner of record as of the Record Date, of Bonds to be redeemed, by first class mail (postage prepaid), or other method at least as fast as first class mail, at least thirty days prior to the date of redemption. In lieu of mailing the notice of redemption, the Bond Registrar/Paying Agent may elect to provide such notice by electronic means to any Registered Owner who has consented to such method of receiving notices. Such notice of redemption shall specify the CUSIP number and the serial or other distinctive numbers or letters of the Bonds to be redeemed, if less than all, the date fixed for redemption, the

redemption price thereof, and, in the case of Bonds to be redeemed in part only, the principal amount thereof to be redeemed. Failure to give any such notice by mailing (or other approved method) to any Registered Owner of Bonds, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bond or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided above shall be conclusively presumed to have been given, whether or not the Registered Owner of such Bond receives such notice.

The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any Bonds selected for redemption during a period beginning at the opening of business on the Record Date applicable to such redemption and ending on the date fixed for redemption.

Notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been given and moneys for payment of the redemption price being held in separate accounts by an escrow agent, the Board of Administration, or the Bond Registrar/Paying Agent, in trust for the Registered Owners of the Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be Outstanding under the provisions of this Resolution and shall not be entitled to any lien, benefit or security under this Resolution, and the Registered Owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof from the moneys held in trust for such purpose and, to the extent provided herein to receive Bonds for any unredeemed portion of the Bonds. Bonds redeemed prior to maturity shall be duly canceled by the Bond Registrar/Paying Agent and shall not be reissued.

In addition to the foregoing notice, further notice shall be given by the Bond Registrar/Paying Agent as set out below, but no defect in said further notice nor any failure to give all or a portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above.

Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the date of issue of the Bonds as originally issued; (ii) the rate of interest borne by each Bond being redeemed; (iii) the maturity date of each Bond being redeemed; (iv) the date of the official notice of redemption; (v) the name and address of the Bond Registrar/Paying Agent; and (vi) any other descriptive information needed to identify accurately the Bonds being redeemed.

Each further notice of redemption shall be sent at least thirty-five days before the redemption date by certified mail, overnight delivery service, electronic mail or facsimile to registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying the Bonds redeemed with the proceeds of such check or other transfer.

In case part but not all of an Outstanding Bond shall be selected for redemption, the Registered Owner thereof shall present and surrender such Bond to the Bond Registrar/Paying Agent for payment of the principal amount thereof so called for redemption, and the Bond Registrar/Paying Agent shall execute and deliver to or upon the order of such Registered Owner, without charge

therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds fully registered as to principal and interest.

SECTION 2.05. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Board of Governors by its Chairman and attested to by its Vice-Chairman, or such other member of the Board of Governors as may be designated pursuant to subsequent resolution of the Governing Board of the Division of Bond Finance, and the corporate seal of the Board of Governors or a facsimile thereof shall be affixed thereto or reproduced thereon. The Bond Registrar/Paying Agent's certificate of authentication shall appear on the Bonds, signed by an authorized signatory of said Bond Registrar/Paying Agent. Any of the above signatures may be a facsimile signature imprinted or reproduced on the Bonds, provided that at least one signature required shall be manually subscribed. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the Board of Governors before the Bonds so signed and sealed shall have been actually sold and delivered, the Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Board of Governors by such person as to the actual time of the execution of such Bond shall hold the proper office, although at the date of such Bond, such person may not have held such office or may not have been so authorized.

A certificate as to the approval of the issuance of the Bonds pursuant to the provisions of the State Bond Act, shall be executed by a signature or facsimile signature of the Secretary or an Assistant Secretary of the Governing Board.

SECTION 2.06. NEGOTIABILITY. The Bonds shall have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities

Law of the State of Florida. The original Registered Owner and each successive Registered Owner of any of the Bonds shall be conclusively deemed by the acceptance thereof to have agreed that the Bonds shall be and have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Law of the State of Florida.

SECTION 2.07. REGISTRATION AND TRANSFER. The Bonds shall be issued only as fully registered bonds without coupons. The Bond Registrar/Paying Agent shall be responsible for maintaining the books for the registration of and for the transfer of the Bonds in compliance with its agreement with the State.

Upon surrender to the Bond Registrar/Paying Agent for transfer or exchange of any Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Bond Registrar/Paying Agent shall deliver in the name of the transferee or transferees a fully registered Bond or Bonds of authorized denomination of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive. The Bond Registrar/Paying Agent shall not be required to issue, transfer or exchange any Bonds on a Record Date.

All Bonds presented for transfer, exchange, redemption or payment shall be accompanied (if so required by the Division of Bond Finance or the Bond Registrar/Paying Agent) by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Division of Bond Finance and the Bond Registrar/Paying Agent, duly executed by the Registered Owner or by his duly authorized attorney.

Neither the Division of Bond Finance nor the Bond Registrar/Paying Agent may charge the Registered Owner or his transferee for any expenses incurred in making any exchange or transfer of the Bonds. However, the Division of Bond Finance and the Bond Registrar/Paying Agent may

require payment from the Registered Owner of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such governmental charges and expenses shall be paid before any such new Bond shall be delivered.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the Board of Governors evidencing the same debt as the Bonds surrendered, shall be secured by this Resolution, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The Board of Governors and the Bond Registrar/Paying Agent may treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.

Notwithstanding the foregoing provisions of this section, the Division of Bond Finance reserves the right, on or prior to the delivery of the Bonds, to amend or modify the foregoing provisions relating to registration of the Bonds in order to comply with all applicable laws, rules, and regulations of the United States and the State of Florida relating thereto.

SECTION 2.08. AUTHENTICATION. Unless otherwise provided by subsequent resolution, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Resolution unless and until a certificate of authentication on such Bond substantially in the form herein set forth shall have been duly executed by the manual signature of the Bond Registrar/Paying Agent, and such executed certificate of the Bond Registrar/Paying Agent upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Resolution. The Bond Registrar/Paying Agent's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or

signatory of the Bond Registrar/Paying Agent, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereinafter.

SECTION 2.09. DISPOSITION OF BONDS PAID OR EXCHANGED. Whenever any Bond shall be delivered to the Bond Registrar/Paying Agent for cancellation, upon payment of the principal amount thereof or for replacement or transfer or exchange, such Bonds shall either be cancelled and retained by the Bond Registrar/Paying Agent for a period of time specified in writing by the Division of Bond Finance or the Board of Administration, or, at the option of the Division of Bond Finance or the Board of Administration, shall be cancelled and destroyed by the Bond Registrar/Paying Agent and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Division of Bond Finance or the Board of Administration.

SECTION 2.10. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Division of Bond Finance may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner furnishing the Division of Bond Finance proof of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Division of Bond Finance may prescribe and paying such expense as the Division of Bond Finance may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar/Paying Agent. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Division of Bond Finance may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bond issued pursuant to this section shall constitute original, additional, contractual obligations on the part of the Board of Governors, whether or not the lost, stolen or destroyed Bond be at any time found by anyone and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien, source and security for payment, pursuant to this Resolution from the Pledged Revenues.

SECTION 2.11. FORM OF BONDS. (A) Notwithstanding anything to the contrary in this Resolution, the Bonds may be issued in book-entry only form utilizing the services of a Securities Depository (as used herein, “Securities Depository” means The Depository Trust Company, New York, New York, or its nominees, successors and assigns).

So long as a book-entry only system of evidence of transfer of ownership of all the Bonds is maintained in accordance herewith, any provision of this Resolution relating to the delivery of physical bond certificates shall be inapplicable, and this Resolution shall be deemed to give full effect to such book-entry system.

If the Bonds are issued in book-entry only form:

(1) The Bonds shall be issued in the name of the Securities Depository as Registered Owner of the Bonds, and held in the custody of the Securities Depository or its designee.

(2) Transfers of beneficial ownership of the Bonds will be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository (“Participants” include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, as well other organizations that clear through or maintain a custodial relationship with such organizations, either directly or indirectly).

(3) Each Participant shall be credited in the records of the Securities Depository with the amount of such Participant's interest in the Bonds. Beneficial ownership interests in the Bonds may be purchased by or through Participants. The holders of these beneficial ownership interests are hereinafter referred to as the "Beneficial Owners." The Beneficial Owners shall not receive Bonds representing their beneficial ownership interests. The ownership interests of each Beneficial Owner shall be recorded through the records of the Participant from which such Beneficial Owner purchased its Bonds. Transfers of ownership interests in the Bonds shall be accomplished by book entries made by the Securities Depository and, in turn, by Participants acting on behalf of Beneficial Owners.

(4) Unless otherwise provided herein, the Division of Bond Finance, the Board of Governors, the Board of Administration and the Bond Registrar/Paying Agent (as used in this section, the "State and its agents") shall treat the Securities Depository as the sole and exclusive owner of the Bonds registered in its name for the purposes of

- (a) payment of the principal of, premium, if any, and interest on the Bonds or portion thereof to be redeemed or purchased. Payments made to the Securities Depository of principal, premium, and interest shall be valid and effective to fully satisfy and discharge the Board of Governors' obligations to the extent of the sums so paid;

- (b) giving any notice permitted or required to be given to Registered Owners under this Resolution; and

- (c) the giving of any direction or consent or the making of any request by the Registered Owners hereunder. The State and its agents may rely conclusively upon

- (i) a certificate of the Securities Depository as to the identity of the Participants with respect to the Bonds; and

(ii) a certificate of any such Participant as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

(5) The State and its agents shall have no responsibility or obligations to the Securities Depository, any Participant, any Beneficial Owner or any other person which is not shown on the Bond Register, with respect to

(a) the accuracy of any records maintained by the Securities Depository or any Participant;

(b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or interest on, any Bond;

(c) the delivery of any notice by the Securities Depository or any Participant;

(d) the selection of the Participants or the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or

(e) any consent given or any other action taken by the Securities Depository or any Participant.

(6) The requirements in this Resolution of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository as to registering or transferring the book-entry Bonds to produce the same effect. Any provision hereof permitting or requiring delivery of the Bonds shall, while the Bonds are in book-entry only form, be satisfied by the notation thereof on the books of the Securities Depository in accordance with applicable state law.

(B) The Division of Bond Finance may discontinue the book-entry system with the then-current securities depository, subject to the terms of its agreement with such securities depository.

In this event, the Division of Bond Finance shall either

(1) identify another qualified securities depository or

(2) prepare and deliver replacement Bonds in the form of fully registered bonds to each Beneficial Owner.

ARTICLE III

APPLICATION OF PROCEEDS

SECTION 3.01. CONSTRUCTION OF A PROJECT. The Board of Governors is authorized to acquire and construct a project from the proceeds of the sale of the Bonds and other legally available funds, subject to the provisions of this Resolution and the applicable laws of the State.

SECTION 3.02. APPLICATION OF BOND PROCEEDS. Upon receipt of the proceeds of the sale of the Bonds, the Division of Bond Finance shall transfer and apply such proceeds as follows:

(A) The amount necessary to pay all costs and expenses of the Division of Bond Finance (to the extent permitted by the Code) in connection with the preparation, issuance, and sale of the Bonds, including a reasonable charge for the services of the Division of Bond Finance for its fiscal services and for arbitrage rebate compliance program set-up, shall be transferred to the Division of Bond Finance and deposited in the Bond Fee Trust Fund.

(B) Any accrued interest and capitalized interest on the Bonds shall be transferred to the Board of Administration and deposited in the Sinking Fund, and used for the payment of interest on the Bonds.

(C) An amount which, together with other moneys which may be available therefore and on deposit in the Reserve Account, is necessary to fund the Reserve Requirement shall be transferred to the Board of Administration and deposited in the applicable subaccount in the Reserve Account within the Sinking Fund. Alternatively, the Division of Bond Finance, as provided in Section 4.02 of this Resolution, may elect at any time to provide in lieu of all or a portion of such funds a Reserve Account Credit Facility in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the applicable subaccount in the Reserve Account. Notwithstanding the above, the Reserve Account for a particular Series of Bonds may be held outside of the Board of Administration as determined by the Director of the Division.

(D) After making the transfers provided for in subsections (A) through (C) above, the balance of the proceeds of the Bonds shall be transferred to and deposited in the Project Construction Fund, which is hereby created in the State Treasury. Notwithstanding the above, the Project Construction Fund for a particular Series of Bonds may be held outside of the State Treasury as determined by the Director of the Division.

(E) Any balance of the proceeds of the Bonds after providing for the requirements of subsections (A) through (D) above shall (except as provided below) be transferred to the Sinking Fund and used for the purposes set forth therein.

Any unexpended balance remaining in the Project Construction Fund, after a consulting architect shall certify that the project has been completed and all costs thereof paid or payment provided for, shall be either (i) applied to fixed capital outlay projects of the University's College of Medicine or (ii) deposited in the Sinking Fund, hereinafter created, for the purposes thereof, unless otherwise requested by the Board of Governors, provided that such application will not adversely affect the exemption from Federal income taxation of interest on any of the Bonds.

In addition to the aforementioned proceeds of the Bonds, the Board of Governors covenants that it will deposit into the Project Construction Fund additional funds legally available for the purposes of such Fund which, together with the proceeds of the Bonds, will be sufficient to finance the total Project Costs. Any such additional funds, other than the proceeds of the Bonds or Completion Bonds, shall be derived from sources and in a manner which will not jeopardize the security of the Bonds issued pursuant to this Resolution.

All moneys in the Project Construction Fund, shall constitute a trust fund for such purposes and there is hereby created a lien upon such funds in favor of the Registered Owners of the Bonds issued pursuant to this Resolution, until such funds are applied as provided herein, except to the extent such moneys are required for the payment of any Rebate Amount, and all moneys in such funds shall be continuously secured in the manner now provided by the laws of the State for securing deposits of state funds.

SECTION 3.03. INVESTMENT OF PROJECT CONSTRUCTION FUND. Any moneys in the Project Construction Fund not immediately needed for the purposes provided in this Resolution, may be temporarily invested and reinvested as provided in Sections 17.57 or 215.47, Florida Statutes.

ARTICLE IV

APPLICATION AND ADMINISTRATION OF PLEDGED REVENUES

SECTION 4.01. BONDS SECURED BY PLEDGED REVENUES. (A) The payment of principal of and interest on the Bonds shall be secured forthwith equally and ratably by a valid and enforceable junior lien on the Pledged Revenues to be received under this Resolution as provided for in Section 6.01 of this Resolution, and such Pledged Revenues, except as may be

required for payment of Rebate Amounts, are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds, as the same become due.

(B) The Bonds shall not be or constitute an indebtedness of the State, or any political subdivision thereof or any instrumentality thereof, but shall be payable solely from the Pledged Revenues, as provided herein. No Registered Owner or Registered Owners of the Bonds shall ever have the right to compel the exercise of the taxing power of the State, or any political subdivision thereof, to pay such Bonds or the interest thereon, or be entitled to payment of such principal and interest from any other funds except such payments consisting of the Pledged Revenues, in the manner provided herein.

SECTION 4.02. APPLICATION OF PLEDGED REVENUES. (A) Upon collection, the Pledged Revenues shall be deposited by the University in a separate fund in a bank approved by the Board of Trustees known as the “University of Florida Indirect Costs Revenues Fund” (hereinafter referred to as the “Revenue Fund”) which is hereby created. Said fund constitutes a trust fund for the purposes provided in this Resolution, and shall be kept separate and distinct from all other funds of the University and the Board of Governors and used only for the purposes and in the manner provided in this Resolution. All revenues on deposit at any time in the Revenue Fund shall be applied only in the following manner and order of priority:

(1) first, a sufficient amount of moneys shall be transferred to be used for payment of principal and interest on the 2003 Bonds as provided in any resolution or trust indenture relating to the 2003 Bonds;

(2) second, a sufficient amount of moneys shall be transferred no later than thirty days before each Interest Payment Date or Principal Payment Date to the Board of Administration to be used as follows:

(a) for payment of the Administrative Expenses;

(b) for deposit into the Sinking Fund, which is hereby created, until there is accumulated in said Sinking Fund an amount sufficient to pay the next installment of principal and/or interest to become due, including Amortization Installments;

(c) for the maintenance and establishment of the Reserve Account, or subaccounts therein, which is hereby created in the Sinking Fund, in an amount which, together with other moneys available for such purposes, equals the Reserve Requirement.

The moneys in a subaccount in the Reserve Account shall be used for the payments provided for in (b) above when the other moneys in the Sinking Fund are insufficient therefor. Any withdrawals from a subaccount in the Reserve Account shall be restored from the first moneys available therefor in the Sinking Fund after the required payments under (b) above have been made or provided for. Any unused portion of the moneys in a subaccount in the Reserve Account may be used by the Board to reduce the final installments of the Annual Debt Service Requirement becoming due on Bonds secured by such subaccount.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Board of Governors may at any time cause to be deposited into one or more subaccounts in the Reserve Account, one or more Reserve Account Credit Facilities for the benefit of the Registered Owners for which each subaccount has been established, in an amount which, together with sums on deposit, equals the Reserve Requirement. In no event shall the use of such Reserve Account Credit Facilities be permitted if such use would cause, at the time of acquisition of such Reserve Account Credit Facility, an impairment in any existing rating on the Bonds or any Series of Bonds. The Reserve Account Credit Facilities shall be payable or available to be drawn upon, as the case may be, on or before any Interest Payment Date or Principal Payment Date on

which a deficiency exists which cannot be cured by funds in any other account held for such Bonds pursuant to this Resolution and available for such purpose. If more than one Reserve Account Credit Facility is deposited into a subaccount in the Reserve Account, each Reserve Account Credit Facility shall be drawn upon in a proportion equal to its relative share of the amounts in such subaccount in the Reserve Account. If a disbursement is made under the Reserve Account Credit Facility, the Board of Governors shall be obligated, from the first Pledged Revenues available, to either reinstate such Reserve Account Credit Facility immediately following such disbursement to the amount - required to be maintained in the applicable subaccount in the Reserve Account or to deposit into the applicable subaccount in the Reserve Account from the Pledged Revenues, as herein provided, funds in the amount of the disbursement made under such Reserve Account Credit Facility plus any amounts required to reimburse the Reserve Account Credit Facility provider for previous disbursements made pursuant to such Reserve Account Credit Facility, or a combination of such alternatives as shall equal the amount required to be maintained.

To the extent that the Board of Governors reinstates a Reserve Account Credit Facility or reimburses a Reserve Account Credit Facility Provider, such reinstatement or reimbursement shall be in proportion to the amounts drawn from the various Reserve Account Credit Facilities.

The Division shall cause to be established and the Board of Administration shall establish one or more specific subaccounts in the Reserve Account. Each subaccount may be established for one or more Series of Bonds. Each subaccount shall be available only to cure deficiencies in the accounts in the Sinking Fund with respect to the Series of Bonds for which such subaccount has been established, and no amounts in the other subaccounts in the Reserve Account shall be available for such purpose. Such separate subaccount shall be established and designated in the resolution

authorizing such Series of Bonds. Such resolution may also specify the method of valuation of the amounts held in such separate subaccount.

Any moneys in a subaccount in the Reserve Account in excess of the amount required to be maintained therein shall, to the extent permitted by the Code, first be used to cure any deficiency in any other subaccount in the Reserve Account and then for the purposes and in the priority established by this section; and

(d) for deposit to the Rebate Fund created by Section 6.03 of this Resolution, an amount sufficient to pay the Rebate Amount;

(3) third, at any time the balance of any money not needed for the payments provided in (1) and (2) above may be transferred to the University's general operating fund, or may be applied for any lawful purpose.

(B) If on any payment date the Pledged Revenues are insufficient to place the required amounts in any of the funds, accounts or subaccounts as above provided, the deficiency shall be made up in subsequent payments in addition to the payments which would otherwise be required to be made into such funds, accounts or subaccounts on the subsequent payment dates.

(C) The Revenue Fund and the Sinking Fund shall constitute trust funds for the purposes provided herein for such funds. All of such funds shall be continuously secured in the same manner as deposits of State funds are required to be secured by the laws of the State.

(D) Except insofar as such funds may be needed for any payment required to be made by the terms of this Resolution or the Bonds, and except as otherwise provided herein, moneys in any of the funds authorized or required by this Resolution may be invested and reinvested at any time as provided by Section 17.57 or 215.47, Florida Statutes. When so invested or reinvested, proceeds derived from the investment or reinvestment of such obligations shall be held for and credited to the

fund, account or subaccount for which said obligations were purchased except as otherwise provided in this Resolution; provided, however, that any such obligations purchased as investments for moneys in the Sinking Fund shall mature not later than the dates upon which such moneys will be needed for the payment of maturing principal and interest to be paid from said Sinking Fund.

ARTICLE V

ADDITIONAL BONDS AND REFUNDING REQUIREMENTS

SECTION 5.01. ISSUANCE OF ADDITIONAL BONDS. The Division of Bond Finance is authorized to issue Additional Bonds, but only upon the following terms, restrictions and conditions:

(A) The proceeds from such Additional Bonds shall be used to acquire and construct capital additions, additional facilities, or improvements to the research program of the University's College of Medicine, or to refund Outstanding Bonds.

(B) The Board of Governors shall request the issuance of such Additional Bonds.

(C) The Board of Administration shall approve the fiscal sufficiency of such Additional Bonds.

(D) Certificates shall be executed by the University, the Board of Governors or other appropriate State official setting forth:

(1) the average annual amount of Pledged Revenues from the two Fiscal Years immediately preceding the issuance of the proposed Additional Bonds, and;

(2) the total of the maximum amount of debt service remaining due in any fiscal year on the outstanding 2003 Bonds, and the Maximum Annual Debt Service on the Bonds then Outstanding and the Additional Bonds then proposed to be issued.

(E) The Board of Governors and the University must be current in all deposits into the various funds and accounts and all payments theretofore required to have been deposited or made by either of them under the provisions of this Resolution and the Board of Governors and the University must be currently in compliance with the covenants and provisions of this Resolution and any supplemental resolution hereafter adopted for the issuance of Additional Bonds, or upon the

issuance of such Additional Bonds the Board of Governors and the University will be brought into compliance with all such financial requirements, covenants and provisions.

(F) The average annual amount of Pledged Revenues for the two immediately preceding Fiscal Years, as certified by the University, the Board of Governors or other appropriate State official pursuant to (D)(1) above, shall be equal to at least one hundred fifty percent of the total of the maximum amount of debt service remaining due in any fiscal year on the outstanding 2003 Bonds, and the Maximum Annual Debt Service on the Bonds then Outstanding and the Additional Bonds then proposed to be issued.

SECTION 5.02. REFUNDING BONDS. The Bonds originally issued pursuant to this Resolution then Outstanding, together with all Additional Bonds issued and then Outstanding, may be refunded as a whole or in part. If the Annual Debt Service Requirement of the refunding Bonds in each Fiscal Year is equal to or less than the corresponding Annual Debt Service Requirement of the refunded Bonds, then the provisions of subsections 5.01(D) and (F) of this Resolution shall not apply to the issuance of the refunding Bonds.

SECTION 5.03. ISSUANCE OF OTHER OBLIGATIONS OR CREATION OF ENCUMBRANCES. The Division of Bond Finance and the Board of Governors covenant that they will not issue any other obligations, except Additional Bonds provided for in Section 5.01 hereof, refunding Bonds provided for in Section 5.02 hereof, or Completion Bonds provided for in Section 5.04 hereof, payable from the Pledged Revenues nor voluntarily create or cause to be created any other debt, lien, pledge, assignment, encumbrance or other charge, having priority to or being on a parity with the lien of the Bonds, upon the Pledged Revenues securing the Bonds provided for in this Resolution. Any such other obligations hereafter issued by the Board of Governors, in addition to any Additional Bonds, parity refunding Bonds, or Completion Bonds provided for in Sections 5.01,

5.02 or 5.04 hereof, shall contain an express statement that such obligations are junior and subordinate to the Bonds as to lien on and source and security for payment from such Pledged Revenues.

SECTION 5.04. COMPLETION BONDS. The Division of Bond Finance may issue Completion Bonds. The Board of Governors and the Division need not comply with Section 5.01 of this Resolution in the issuance of Completion Bonds, provided that the net proceeds of such Completion Bonds available for deposit into the Project Construction Fund for such costs shall be equal to or less than 20% of the original estimated cost of the project on the delivery date of the original Series of Bonds issued to finance the project for which the Completion Bonds are being issued.

SECTION 5.05. NO ACCELERATION. The Bonds shall not be accelerated on account of any default on any payments required under this Resolution.

ARTICLE VI

COVENANTS

SECTION 6.01. PLEDGE OF PLEDGED REVENUES. The Board of Governors hereby covenants and agrees with the Registered Owners of Bonds that, so long as any of the Bonds, or interest thereon, are Outstanding and unpaid, all of the Pledged Revenues provided for in this Resolution shall be pledged to the payment of the principal of and interest on the Bonds and the payment of such other amounts as are provided for in this Resolution, in the manner provided in this Resolution and the Registered Owners of the Bonds shall have a valid and enforceable junior lien on such Pledged Revenues in the manner provided herein.

SECTION 6.02. PLEDGED REVENUE COVENANTS. The Board of Governors covenants:

(A) That it will, or will cause the University, pursuant to s. 1010.62(2)(b), Florida Statutes, to punctually apply the Pledged Revenues as provided for in Section 6.01 of this Resolution in the manner and at the times provided in this Resolution, that the Pledged Revenues will be applied in a manner that assures the availability of sufficient moneys for the full and timely payment of debt service on the Bonds and that it will duly and punctually perform and carry out all the covenants of the Board of Governors made herein and the duties imposed upon the Board of Governors by this Resolution.

(B) That in preparing, approving and adopting any budget controlling or providing for the expenditures of funds for each budget period it will allocate, allot and approve, or will cause the University, pursuant to Section 1010.62(2)(b), Florida Statutes, to allocate, allot and approve from the indirect costs revenues and other available funds the amounts sufficient to apply the Pledged Revenues as provided in this Resolution.

(C) That it will, or will cause the University, pursuant to s. 1010.62(2)(b), Florida Statutes, to continue to collect the Pledged Revenues in amounts which are available at any particular time.

SECTION 6.03. COMPLIANCE WITH TAX REQUIREMENTS. (A) In addition to any other requirement contained in this Resolution, the Division of Bond Finance, the Board of Governors, and the Board of Administration hereby covenant and agree, for the benefit of the Registered Owners from time to time of the Bonds issued subject to the provisions of the Code, that each will comply with the applicable requirements contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Code as shall be set forth in the non-arbitrage certificate of the Board of Governors dated and delivered on the date of delivery of each such Series of Bonds.

Specifically, without intending to limit in any way the generality of the foregoing, the Division of Bond Finance and Board of Governors covenant and agree:

(1) to pay or cause to be paid to the United States of America from the Pledged Revenues and any other legally available funds, at the times required pursuant to Section 148(f) of the Code, the Rebate Amount;

(2) to maintain and retain or cause to be maintained and retained all records pertaining to and to be responsible for making or causing to be made all determinations and calculations of the Rebate Amount and required payments of the Rebate Amount as shall be necessary to comply with the Code;

(3) to refrain from using proceeds from the Bonds in a manner that might cause any of the Bonds to be classified as private activity bonds under Section 141(a) of the Code; and

(4) to refrain from taking any action that would cause any of the Bonds to become arbitrage bonds under Section 148 of the Code.

The Board of Governors, the Division of Bond Finance and the Board of Administration understand that the foregoing covenants impose continuing obligations that will exist throughout the term of the issue to comply with the requirements of the Code.

(B) The Division of Bond Finance and Board of Governors covenant and agree that they shall maintain and retain or cause to be maintained and retained all records pertaining to and they shall be responsible for making and having made all determinations and calculations of the Rebate Amount for each tax-exempt Series of Bonds issued hereunder for each Bond Year within 60 days after the end of such Bond Year and within 60 days after the final maturity of each such Series of Bonds. On or before the expiration of each such 60 day period, the Board of Governors shall deposit

or direct the Board of Administration to deposit into the Rebate Fund which is hereby created and established in the accounts of the Board of Administration, from investment earnings or moneys deposited into the other funds and accounts created hereunder, or from any other legally available funds of the Board of Governors, an amount equal to the Rebate Amount for such Bond Year. The Board of Administration shall use such moneys deposited in the Rebate Fund only for the payment of the Rebate Amount to the United States as required by subsection (A) of this section, and as directed by the Board of Governors, which payments shall be made in installments, commencing not more than 60 days after the end of the fifth Bond Year and with subsequent payments to be made not later than five years after the preceding payment was due except that the final payment shall be made within 60 days after the final maturity of the last obligation of the Series of Bonds issued hereunder. In complying with the foregoing, the Division of Bond Finance and the Board of Governors may rely upon any instructions or opinions from a nationally recognized bond/tax counsel.

Notwithstanding anything in this Resolution to the contrary, to the extent moneys on deposit in the Rebate Fund are insufficient for the purpose of paying the Rebate Amount and other funds of the Board of Governors are not available to pay the Rebate Amount, then the Board of Administration shall pay the Rebate Amount first from Pledged Revenues and, to the extent the Pledged Revenues be insufficient to pay the Rebate Amount, then from moneys on deposit in any of the funds and accounts created hereunder.

If at any time the Division of Bond Finance or the Board of Governors determines that the amount of money on deposit in the Rebate Fund is in excess of the Rebate Amount, the Division of Bond Finance or the Board of Governors may direct the Board of Administration to transfer the amount of money in excess of the Rebate Amount to the University, for deposit into (i) the fund(s)

or account(s) created hereunder to which such amount of money is attributable, or (ii) the Revenue Fund.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder and after payment in full to the United States of any Rebate Amount in accordance with the terms hereof, such amounts shall be paid over to the University and may be used for other purposes authorized by law.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the Board of Governors and shall be subject to a lien in favor of the Registered Owners, but only to secure payment of the Rebate Amount, and the moneys in the Rebate Fund shall be available for use only as herein provided.

The Division of Bond Finance, the Board of Administration, and the Board of Governors shall not be required to continue to comply with the requirements of this section in the event that the Division of Bond Finance and the Board of Administration receive an opinion of nationally recognized bond/tax counsel that (1) such compliance is no longer required in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds or (2) compliance with some other requirement will comply with the provisions of the Code in respect of arbitrage rebate, or in the event that any other agency is subsequently designated by proper authority to comply with the requirements of this section.

SECTION 6.04. CONTINUING DISCLOSURE. (A) If necessary to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Board of Governors agrees to provide or cause to be provided such information as may be required, from time to time, under such rule or any successor rule applicable to the Board of Governors.

(B) The Board of Governors, or its duly appointed representative, in conjunction with the appropriate officer of the Division of Bond Finance, is authorized but not directed to execute and deliver any documents or agreements which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission or any successor rule applicable to the Board of Governors.

ARTICLE VII

REMEDIES

SECTION 7.01. ENFORCEABILITY BY REGISTERED OWNERS. (A) This Resolution, including the pledge of the Pledged Revenues, shall be deemed to have been made for the benefit of the Registered Owners from time to time of the Bonds. Such pledge and all the provisions of this Resolution shall be enforceable in any court of competent jurisdiction by any Registered Owner or Registered Owners of such Bonds, against either the Board of Governors or the Board of Administration or any other agency of the State, or instrumentality thereof having any duties concerning collection, administration and disposition of the Pledged Revenues. The Board of Governors does hereby consent to the bringing of any proceedings in any court of competent jurisdiction by any Registered Owner or Registered Owners of the Bonds for the enforcement of all provisions of this Resolution and does hereby waive, to the extent permitted by law, any privilege or immunity from suit which it may now or hereafter have as an agency of the State. However, no covenant or agreement contained in this Resolution or any Bond issued pursuant hereto shall be deemed to be the covenant or agreement of any officer or employee of the State in such person's individual capacity and neither the officers nor employees of the State nor any official executing any of the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

(B) Any Registered Owners of such Bonds, or any trustee acting for the Registered Owners of such Bonds, may by civil action in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution, and by any applicable Statutes, to be performed by the Division of Bond Finance, the Board of Governors, the University, or the Board of Administration, or by any officer thereof, including the payment of the Pledged Revenues payable under this Resolution. Other than as specifically provided herein, nothing herein shall be construed to grant to any Registered Owner of the Bonds any lien on any facility or funds of the University, or the Board of Governors, or the Division of Bond Finance.

(C) For purposes of exercising remedies pursuant to this section, the issuer of a Bond Insurance Policy shall be deemed the sole Registered Owner of Bonds it has insured, provided that the issuer of such Bond Insurance Policy has not failed to comply with its payment obligations under the Bond Insurance Policy and the ratings on the insured Bonds, based on the Bond Insurance Policy, are no lower than the “A” category by each Rating Agency which has rated such Bonds, including any rating modifiers.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. RESOLUTION NOT ASSIGNABLE. This Resolution shall not be assignable by the Division of Bond Finance or the Board of Administration, except for the benefit of the Registered Owners.

SECTION 8.02. MODIFICATION OR AMENDMENT. Except as otherwise provided in the second and third paragraphs of this section, no materially adverse modification or amendment

of this Resolution, or of any resolution amendatory thereof or supplemental thereto, may be made without the consent in writing of (i) the Registered Owners of more than fifty percent in principal amount of the Bonds then Outstanding or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the Registered Owners of more than fifty percent in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or affecting the promise to pay the interest on and principal of the Bonds, as the same mature or become due, or reduce the percentage of Registered Owners of Bonds required above for such modification or amendments, without the consent of the Registered Owners of all the Bonds.

For purposes of this section, except where the consent of all Registered Owners of a Series of Bonds is required, to the extent any Series of Bonds is insured by a Bond Insurance Policy and such Series of Bonds is then rated in as high a rating category as the rating category in which such Series of Bonds was rated at the time of initial delivery thereof by a Rating Agency, then the consent of the issuer of the Bond Insurance Policy shall constitute the consent of the Registered Owners of such Series.

The Division of Bond Finance may amend, change, modify and alter this Resolution without the consent of the Registered Owners of Bonds, (i) to cure any defect, omission, conflict, or ambiguity in this Resolution or between the terms and provisions hereof and any other document executed or delivered herewith, (ii) to provide other changes including such changes as may be necessary in order to adjust the terms hereof so as to facilitate the issuance of various types of Bonds including, but not limited to, Capital Appreciation Bonds, and any other Bonds which may be issued hereunder, which will not materially adversely affect the interest of such Registered Owner of Bonds,

(iii) to provide for the issuance of Bonds in coupon form if, in the opinion of a nationally recognized bond/tax counsel, such issuance will not affect the exemption from federal income taxation of interest on the Bonds, (iv) to obtain credit enhancements or a higher rating in one of the three highest full rating categories of a Rating Agency, (v) to add to the covenants and agreements of the Division, the Board of Administration, or the Board of Governors in this Resolution, other covenants and agreements to be observed by the Division, the Board of Administration, or the Board of Governors which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vi) to add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Division, the Board of Administration, or the Board of Governors which are not contrary to or inconsistent with this Resolution as theretofore in effect, (vii) to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit the qualifications of the Bonds for sale under the securities laws of any of the states of the United States of America, (viii) to enable the Division, the Board of Administration, and the Board of Governors to comply with their covenants, agreements and obligations under Section 6.03 of this Resolution, (ix) to specify and determine any matters and things relative to the Bonds which are not contrary to or inconsistent with this Resolution and which shall not materially adversely affect the interests of the Registered Owners, and (x) to amend or modify any provisions of this Resolution so long as such amendment or modification does not materially adversely affect the interests of the Registered Owners.

SECTION 8.03. NONPRESENTMENT OF BONDS: FUNDS HELD FOR BONDS AFTER DUE DATE OF BONDS. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Board of Administration for the benefit of the Registered

Owner thereof, all liability of the Board of Governors to the Registered Owner thereof for the payment of such Bond shall forthwith cease, terminate, and be completely discharged, and thereupon it shall be the duty of the Board of Administration to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bond, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under this Resolution or on, or with respect to, said Bond. Any such funds held by the Board of Administration for the Registered Owners of such Bonds for seven years after the principal or Accreted Value of the respective Bonds for which such funds have been so set aside has become due and payable and remaining (whether at maturity or upon redemption or otherwise) shall be subject to the laws of the State of Florida relating to disposition of unclaimed property, and unless demand for the payment of such Bonds shall have been made, the obligation thereon shall be extinguished.

SECTION 8.04. DEFEASANCE. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to any of the Bonds in any one or more of the following ways:

(A) By paying the principal of and interest on such Bonds when the same shall become due and payable; or

(B) By depositing with the Board of Administration, certain moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor, shall be sufficient at the time of such deposit to pay when due the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof; or

(C) By depositing with the Board of Administration, moneys which are irrevocably pledged to the payment of such Bonds and which, together with other moneys lawfully available therefor

when invested in Defeasance Obligations, will provide moneys (principal and interest thereof at maturity) which shall be sufficient to pay the principal of, redemption premium, if any, and interest due and to become due on such Bonds on or prior to a date fixed for redemption or the maturity date thereof.

Upon such payment or deposit in the amount and manner provided in this section, the Bonds with respect to which payments on deposit have been made shall be deemed to be paid and shall no longer be deemed to be Outstanding for the purposes of this Resolution and all liability of the Board of Governors and the Division with respect to such Bonds shall cease, terminate and be completely discharged and extinguished, and the Registered Owners thereof shall be entitled to payment solely out of the moneys or securities so deposited.

(D) Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any Series of Bonds, any portion of any Series of Bonds, any maturity or maturities of any Series of Bonds, any portion of a maturity of any Series of Bonds or any combination thereof.

(E) If any portion of the moneys deposited for the payment of the principal of and redemption premium, if any, and interest on any portion of Bonds is not required for such purpose, the Board of Governors or the Board of Administration may use the amount of such excess which is not otherwise obligated under this Resolution, for any lawful purpose, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

(F) Nothing herein shall be deemed to require the Board of Governors or Division of Bond Finance to call any of the Bonds for redemption prior to maturity pursuant to any applicable

optional redemption provisions, or to impair the discretion of the Board of Governors or Division of Bond Finance in determining whether to exercise any such option for early redemption.

(G) Notwithstanding the foregoing, the covenants, liens and pledges entered into, created or imposed pursuant to this Resolution shall not be discharged and satisfied with respect to any of the Bonds with respect to which debt service has been paid pursuant to a Bond Insurance Policy, to the extent that the amount so paid has not been reimbursed to the issuer of such Bond Insurance Policy (or monies have not been deposited as set forth above to provide for payment of such amounts). The bond insurer shall be subrogated to the rights of the Registered Owners of Bonds with respect to which it has made payments pursuant to a Bond Insurance Policy.

SECTION 8.05. SURVIVAL OF CERTAIN PROVISIONS. Notwithstanding the foregoing, any provisions of this Resolution which relate to the maturity of Bonds, interest payments and dates thereof, optional and mandatory redemption provisions, credit against mandatory redemption requirements, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, the holding of moneys in trust, the calculation of the Rebate Amount and the paying of the Rebate Amount to the United States, shall remain in effect and be binding upon the Division of Bond Finance, the Board of Governors, the Bond Registrar/Paying Agent and the Registered Owners notwithstanding the release and discharge of the lien and pledge of this Resolution or any subsequent resolution. The provisions of this section shall survive the release, discharge and satisfaction of this Resolution or any subsequent resolution.

SECTION 8.06. BOND ANTICIPATION NOTES. Notwithstanding any other provision of this Resolution, if the Division shall deem it advisable, short-term obligations (hereinafter “Notes”) are hereby authorized to be issued by the Division on behalf of the Board of Governors in

anticipation of the sale and delivery of Bonds. The Notes shall be payable from the proceeds received from the sale of the Bonds and, in the interim, from the Pledged Revenues. The Notes may be issued in such denomination or denominations, in the aggregate principal amount not to exceed the authorized principal amount of Bonds for the Series for which such Notes are issued, in the form, may bear interest at the lawful rate or rates payable on such dates (not to exceed five years from the date of issue) and may be subject to such conditions and terms as the Division shall deem necessary or desirable in connection with such Notes, all as shall be provided by resolution of the Division adopted at or before sale of the Notes, in accordance with Section 215.68(7), Florida Statutes.

SECTION 8.07. CAPITAL APPRECIATION BONDS. For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the amount of the Maximum Annual Debt Service, and (iii) determining the principal amount of Bonds held by the Registered Owner of a Capital Appreciation Bond for giving any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 8.08. TRUST FUNDS. (A) The funds and accounts established by this Resolution and all moneys on deposit therein shall constitute trust funds for their respective purposes as provided herein. The Sinking Fund shall be held and administered by the Board of Administration, and such funds shall be fully and continuously secured in the manner provided by the laws of the State for the securing of deposits of State funds. The Registered Owners shall have a lien on moneys in the Sinking Fund, except the moneys in the Rebate Fund, until such moneys are used or applied as provided herein.

(B) The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-

balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided. Cash and investments required to be accounted for in each of the funds and accounts established by or pursuant to this Resolution may be deposited in a single bank account, provided that accounting records are maintained to reflect the moneys and investments therein and the receipts of and disbursements from such funds and accounts and the investment income earned therefrom.

SECTION 8.09. FISCAL AGENT. Upon sale and delivery of the Bonds by the Division of Bond Finance on behalf of the Board of Governors, the Board of Administration shall act as the fiscal agent for the Board of Governors with respect to the Bonds.

SECTION 8.10. SUBSTITUTE FOR MAILING. If, because of the temporary or permanent suspension of postal service, any person shall be unable to mail any notice required to be given by the provisions of this Resolution, such person shall give notice in such other manner as in its judgment shall most effectively approximate such mailing; and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirement for the mailing thereof.

SECTION 8.11. INSTRUMENTS OF REGISTERED OWNERS. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this Resolution to be executed by any Registered Owner may be in any number of concurrent writings of similar tenor and may be executed by that Registered Owner in person or by an attorney-in-fact appointed in writing. Proof of (i) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any attorney-in-fact, and (iii) the ownership

of Bonds, shall be sufficient for any of the purposes of this Resolution, if made in the following manner, and if so made, shall be conclusive in favor of the University, the Division of Bond Finance, the Board of Governors, and the Board of Administration, with regard to any action taken thereunder, namely:

(a) the fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction, who has the power by law to take acknowledgments within that jurisdiction, that the person signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(b) the fact of ownership of Bonds of any Series shall be proved by the Bond Registrar/Paying Agent for such Series.

SECTION 8.12. VALIDATION AUTHORIZED. The attorneys for the Division of Bond Finance are hereby authorized, but not required, to institute proceedings to validate the Bonds, pursuant to Chapter 75, Florida Statutes.

SECTION 8.13. GOVERNING LAW. The laws of the State shall govern the construction of this Resolution and of all Bonds issued hereunder.

SECTION 8.14 SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants or provisions shall be null and void and shall be deemed separable from the remaining covenants or provisions of this Resolution or of the Bonds and shall in no way affect the validity or enforceability of any other covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

SECTION 8.15. REPEAL OF INCONSISTENT RESOLUTIONS. All resolutions and parts of resolutions heretofore adopted pertaining to the subject matter of this Resolution, to the extent that they are inconsistent with this Resolution, are hereby repealed, revoked, and rescinded, but only to the extent of any such inconsistencies.

SECTION 8.16. AMENDMENT OF THIS RESOLUTION. Notwithstanding the provisions of this Resolution, the Director of the Division is hereby authorized and directed to make modifications to this Resolution as determined pursuant to a certificate executed by the Director prior to the sale of the initial series of Bonds, including, but not limited to, provisions relating to the issuance of Additional Bonds, the funding and custody of the Reserve Account, the order and priority of the deposit or application of funds in order to maintain a priority of application of Pledged Revenues to the 2003 Bonds, a determination of the types of indirect costs revenues of the University's College of Medicine which may be included in Pledged Revenues, and the custody of the Project Construction Fund, and is further authorized to take any and all other actions which the Director may deem necessary or desirable in relation to the issuance of the Bonds herein authorized.

The Director is further authorized to make modifications to this Resolution to adjust the average annual amount of Pledged Revenues required in order to issue the initial Series of Bonds or any Additional Bonds pursuant to Section 5.01 hereof from the current requirement of 150% of the amount of debt service remaining due in any fiscal year on the outstanding 2003 Bonds, the Bonds then Outstanding and the Additional Bonds then proposed to be issued, to an amount determined by the Director, such amount to be not less than 100% and not greater than 200%. Such adjustment shall be evidenced by a certificate to be executed by the Director setting out the percentage determined by the Director. Any such adjustment to be made by the Director shall be made prior to the sale of the initial series of Bonds issued pursuant to this Resolution.

SECTION 8.17. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED on February 1, 2011.

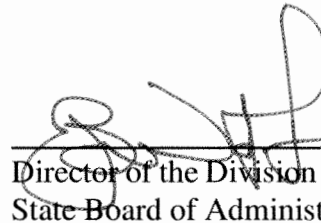
**CERTIFICATE
MODIFYING AUTHORIZING RESOLUTION**

Pursuant to Section 8.16 of the Resolution Authorizing the Issuance of State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011 (the "Resolution"), which was adopted on February 1, 2011 by the Division of Bond Finance of the State Board of Administration of Florida (the "Division"), the undersigned Director of the Division (the "Director") hereby certifies that the following modification to the Resolution is necessary or desirable in connection with the sale and delivery of the State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011 ("Series 2011 Bonds") and the sale and delivery any Additional Bonds (as defined by the Resolution).

Section 5.01(F) of the Master Resolution is adjusted to read as follows:

The average annual amount of Pledged Revenues for the two immediately preceding Fiscal Years, as certified by the University, the Board of Governors or other appropriate State official pursuant to (D)(1) above, shall be equal to at least two hundred percent of the total of the maximum amount of debt service remaining due in any fiscal year on the outstanding 2003 Bonds, and the Maximum Annual Debt Service on the Bonds then Outstanding and the Additional Bonds then proposed to be issued.

Dated: March 7, 2011



Director of the Division of Bond Finance of the
State Board of Administration of Florida

**DIVISION OF BOND FINANCE
OF THE
STATE BOARD OF ADMINISTRATION
OF FLORIDA**

**A RESOLUTION
(THE FIRST SUPPLEMENTAL RESOLUTION)
AUTHORIZING THE ISSUANCE AND SALE OF
STATE OF FLORIDA, BOARD OF GOVERNORS,
UNIVERSITY OF FLORIDA
CLINICAL TRANSLATIONAL RESEARCH BUILDING
REVENUE REFUNDING BONDS,
SERIES 2020 (TO BE DETERMINED)**

May 28, 2020

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; AUTHORITY; RESOLUTION TO CONSTITUTE CONTRACT

SECTION 1.01. DEFINITIONS	1
SECTION 1.02. AUTHORITY FOR THIS RESOLUTION.....	2
SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT	2
SECTION 1.04. FINDINGS	2

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION, TRANSFER, ISSUANCE AND FORM OF BONDS, AND AUTHORIZATION TO EXECUTE ESCROW DEPOSIT AGREEMENT

SECTION 2.01. AUTHORIZATION OF ISSUANCE AND SALE OF REFUNDING BONDS	3
SECTION 2.02. AUTHORIZATION TO EXECUTE AND DELIVER AN ESCROW DEPOSIT AGREEMENT; DESIGNATION OF ESCROW AGENT	7
SECTION 2.03. APPLICABILITY OF ARTICLE II OF THE ORIGINAL RESOLUTION.....	7

ARTICLE III

APPLICATION OF PROCEEDS

SECTION 3.01. APPLICATION OF REFUNDING BOND PROCEEDS	7
--	---

ARTICLE IV

SECURITY FOR THE BONDS

SECTION 4.01. REFUNDING BONDS ON A PARITY WITH THE OUTSTANDING BONDS	8
SECTION 4.02. REFUNDING BONDS SECURED BY ORIGINAL RESOLUTION	8

ARTICLE V

MISCELLANEOUS

SECTION 5.01. RESOLUTION NOT ASSIGNABLE	8
SECTION 5.02. MODIFICATION OR AMENDMENT	8
SECTION 5.03. CONTINUING DISCLOSURE	8
SECTION 5.04. SEVERABILITY OF INVALID PROVISIONS	9
SECTION 5.05. FISCAL AGENT	9

SECTION 5.06. REPEAL OF INCONSISTENT RESOLUTIONS AND CANCELLATION OF PRIOR ISSUANCE AUTHORITY	9
SECTION 5.07. SUCCESSOR AGENCIES AND OFFICIALS	9
SECTION 5.08. CONFIRMATION OF ORIGINAL RESOLUTION	9
SECTION 5.09. EFFECTIVE DATE.....	9

A RESOLUTION (THE FIRST SUPPLEMENTAL RESOLUTION) AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$21,500,000 STATE OF FLORIDA, BOARD OF GOVERNORS, UNIVERSITY OF FLORIDA CLINICAL TRANSLATIONAL RESEARCH BUILDING REVENUE REFUNDING BONDS, SERIES 2020 (TO BE DETERMINED), REFUNDING ALL OR A PORTION OF THE CERTAIN OUTSTANDING BONDS OF THE UNIVERSITY; AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT RESOLVED BY THE GOVERNOR AND CABINET OF THE STATE OF FLORIDA, AS THE GOVERNING BOARD OF THE DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA:

**ARTICLE I
DEFINITIONS; AUTHORITY; RESOLUTION TO CONSTITUTE CONTRACT;
FINDINGS**

SECTION 1.01. DEFINITIONS. All of the definitions contained in Article I of the Original Resolution (as defined herein), in addition to the definitions contained herein and except to the extent inconsistent with or amended by definitions contained herein, shall apply fully to the Outstanding Bonds and the Refunding Bonds (as defined herein).

“Division” means the Division of Bond Finance of the State Board of Administration of Florida.

“Original Resolution” means the resolutions adopted on February 1, 2011, by the Governor and Cabinet as the Governing Board of the Division authorizing the issuance and sale of the State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011, as amended by the certificate adopted on March 7, 2011, by the Director of the Division pursuant to authority granted by Section 8.16 of such Resolution.

“Outstanding Bonds” means the Outstanding State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Bonds, Series 2011.

“Refunded Bonds” means the Outstanding Bonds refunded by the issuance of the Refunding Bonds.

“Refunding Bonds” means the State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Refunding Bonds, Series 2020 (to be determined), authorized by this First Supplemental Resolution.

“Resolution” means the Original Resolution, as supplemented by this First Supplemental Resolution.

“First Supplemental Resolution” means this resolution of the Governor and Cabinet as the Governing Board of the Division authorizing the issuance and sale of the Refunding Bonds.

Where the context so requires, words importing singular number shall include the plural number in each case and vice versa, words importing persons shall include firms and corporations, and the masculine includes the feminine and vice versa.

SECTION 1.02. AUTHORITY FOR THIS RESOLUTION. This First Supplemental Resolution is adopted pursuant to the provisions of Article VII, Section 11(d) of the Florida Constitution; Sections 215.57-215.83, Florida Statutes (the “State Bond Act”); Section 1010.62, Florida Statutes, and other applicable provisions of law; and the Original Resolution, and is supplemental to said Original Resolution.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Refunding Bonds by the Registered Owners, the Resolution shall be deemed to be and shall constitute a contract among the Division, the Board of Governors, the University and such Registered Owners. The covenants and agreements to be performed by the Board of Governors and the University shall be for the equal benefit, protection, and security of the Registered Owners of any and all of the Outstanding Bonds and the Refunding Bonds, all of which shall be of equal rank and without preference, priority, or distinction as to any of such Bonds over any other thereof, except as expressly provided in the Resolution.

SECTION 1.04. FINDINGS REGARDING THE 2003 BONDS. It is hereby found, determined, and declared that the 2003 Bonds are no longer outstanding as of September 1, 2014, the date in which all of the 2003 Bonds were deemed paid and defeased. Further, the Board of Trustees has not issued or approved the issuance of any obligations on a parity with or senior to the 2003 Bonds, and has covenanted that it will not issue or approve any such obligation. As a result, there is no longer a lien on the Pledged Revenues that is senior to the lien of the Outstanding Bonds and the Refunded Bonds on the same revenues. Upon issuance, the Refunding Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Outstanding Bonds. All provisions of the Original Resolution shall be adjusted to the extent necessary to reflect these Findings, including, but not limited to, amending the definition of “Pledged Revenues” to read as follows: “Pledged Revenues” means the University’s indirect costs revenues received by the College of Medicine for Federal, State, and private grants.

ARTICLE II
AUTHORIZATION, TERMS, EXECUTION,
REGISTRATION, TRANSFER, ISSUANCE, FORM OF BONDS, AND
AUTHORIZATION TO EXECUTE ESCROW DEPOSIT AGREEMENT

SECTION 2.01. AUTHORIZATION OF ISSUANCE AND SALE OF REFUNDING BONDS. (A) Subject and pursuant to the provisions of the Resolution, fully registered revenue bonds of the Board of Governors to be known as “State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Refunding Bonds, Series 2020 (to be determined)” (or such other designation as may be determined by the Director), are hereby authorized to be issued and sold by the Division on behalf of the Board of Governors by competitive sale in an aggregate principal amount not exceeding \$21,500,000 on a date and at the time to be determined by the Director. The Refunding Bonds shall be sold to refund all or a portion of the Refunded Bonds. The Refunding Bonds may be combined with, designated the same as, and sold with any other series of University of Florida Clinical Translational Research Building Revenue Bonds. The maturities or portions of maturities to be refunded shall be as determined by the Director to be in the best financial interest of the State. The redemption of the Refunded Bonds on or after their first call date is hereby authorized.

(B) The Director is hereby authorized to determine the most advantageous date and time of sale and to provide notice pursuant to applicable law of such sale, at a time and in such manner as determined by the Director to be appropriate to provide adequate notice to potential bidders; provided, that if no bids are received, or if all bids received are rejected, such Refunding Bonds may again be offered for sale upon reasonable notice, the timing and manner of which shall be determined by the Director. Bids for the purchase of the Refunding Bonds will be received at the office of the Division or at another location designated in the Notice of Bond Sale, until the time and date of sale determined by the Director.

(C) The Director is hereby authorized to publish and distribute a Notice of Bond Sale and a proposal for the sale of the Refunding Bonds. The Notice of Bond Sale shall be in such form as shall be determined by the Director and shall contain such information as is consistent with the terms of the Resolution which the Director determines is in the best financial interest of the State. Any prior publication or distribution of a Notice of Bond Sale, or abbreviated version thereof, and proposal for sale is hereby ratified.

(D) The Director is hereby authorized to prepare and distribute disclosure documentation in connection with the offering of the Refunding Bonds, including preliminary and final official statements if a public offering. The Director is further authorized and directed to amend, supplement, or complete the information contained in the disclosure information, as may be needed, and to furnish such certification as to the completeness and finality of the disclosure information as is necessary to permit the successful bidder to fulfill its obligations under any applicable securities laws. The Chairman and Secretary of the Governing Board and the Director are hereby authorized to execute disclosure documentation in connection with the offering of the Refunding Bonds, and the execution thereof by any of the authorized individuals shall be

conclusive evidence that the Governing Board has approved the form and content of such disclosure documentation and that such disclosure documentation is complete as of its date.

(E) The Director is hereby authorized to have copies of the disclosure documentation relating to the offering of the Refunding Bonds prepared, printed, and distributed in an amount the Director determines to be necessary; to contract with national rating services and providers of municipal bond insurance and Reserve Account Credit Facilities; to retain bond counsel; to make a determination that the preliminary official statement, if any, is “deemed final” for purposes of SEC Rule 15c2-12(b)(1); to conduct information meetings; and to take such other actions as may be deemed appropriate for the dissemination of information relating to the sale of the Refunding Bonds. Any prior printing and distribution of disclosure documentation, including a preliminary official statement, is hereby ratified.

(F) The Secretary or any Assistant Secretary of the Governing Board is hereby authorized and empowered to award said Refunding Bonds when offered, on his determination of the best proposal, as defined in the Notice of Bond Sale, submitted in accordance with the terms of the Notice of Bond Sale provided for herein, and such award shall be final. The Director or any Assistant Secretary of the Governing Board shall report such sale to the Governing Board after award of the Refunding Bonds. The Secretary or any Assistant Secretary of the Governing Board is authorized to deliver such Refunding Bonds to the purchasers thereof upon payment of the purchase price, together with any accrued interest to the date of delivery, and to distribute the proceeds of the Refunding Bonds as provided by this First Supplemental Resolution and other proceedings authorizing the issuance of the Refunding Bonds.

(G) The Refunding Bonds shall be executed in the name of the Board of Governors by its Chair, or by such other authorized person. Any of the signatures required hereinabove may be a facsimile signature imprinted or reproduced on the Refunding Bonds. In case any one or more of the officers who shall have signed any of the Refunding Bonds shall cease to be such officer before the Refunding Bonds so signed and sealed shall have been actually sold and delivered, the Refunding Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Refunding Bonds had not ceased to hold office.

(H) A certificate as to the approval of the issuance of the Refunding Bonds, shall be executed by the facsimile signature of the Secretary of the Governing Board, an Assistant Secretary, or as otherwise provided by law.

(I) The Director is hereby authorized to determine whether the State Board of Administration or U.S. Bank Trust National Association, or its successor, shall be the Bond Registrar/Paying Agent for the Refunding Bonds, which the Director determines is in the best interest of the State. In the event the State Board of Administration is designated as Bond Registrar/Paying Agent, the Bonds shall not require a certificate of authentication by the Bond Registrar/Paying Agent in order to be a valid obligation of the Board of Governors. In the event U.S. Bank Trust National Association, or its successor, is designated as Bond Registrar/Paying Agent for the Refunding Bonds, it shall serve on the terms and conditions set forth in the Registrar,

Paying Agent and Transfer Agreement by and between the Board of Administration and U.S. Bank Trust National Association or its successor.

(J) The Interest Payment Dates and the Principal Payment Dates for the Refunding Bonds shall be as set forth in the Notice of Bond Sale. Interest on the Refunding Bonds shall be paid by check or draft mailed on the Interest Payment Date (or, in certain cases, may be paid by wire transfer at the election of a Registered Owner, other than a securities depository, in the manner and under the terms provided for in the State's agreement with the Bond Registrar/Paying Agent, provided that such Registered Owner advances to the Bond Registrar/Paying Agent the amount, if any, necessary to pay the wire charges or authorizes the paying agent to deduct the amount of such payment) to the Registered Owner thereof as of 5:00 p.m. New York time on the Record Date shown on the registration books maintained by the Bond Registrar/Paying Agent for the Refunding Bonds.

(K) The Refunding Bonds shall be dated, shall mature in such years and amounts and shall bear interest commencing on such date as set forth or provided for in the Notice of Bond Sale, a copy of which, as published, shall be retained in the files of the Division with this First Supplemental Resolution. The Refunding Bonds shall be issued in denominations of \$1,000 or any integral multiple thereof unless otherwise provided in the Notice of Bond Sale.

(L) The Refunding Bonds shall be subject to redemption as provided in the Notice of Bond Sale. The Notice of Bond Sale shall contain such redemption provisions as shall be determined by the Director to be in the best financial interest of the State. Upon election by the successful bidder as provided in the Notice of Bond Sale, a portion of the Refunding Bonds identified in such election may be designated as Term Bonds. Additionally, in lieu of mailing the notice of redemption, the Bond Registrar/Paying Agent may elect to provide such notice by electronic means to any Registered Owner who has consented to such method of receiving notices.

(M) Notwithstanding the provisions of the Original Resolution, the Reserve Account for the Refunding Bonds authorized by this First Supplemental Resolution shall be funded in an amount determined by the Director, which shall not exceed the Reserve Requirement for the Refunding Bonds. Such amount may be zero. The amount of the Reserve Requirement funded from the proceeds of the Refunding Bonds shall not exceed the amount permitted under the Code.

The incremental increase in the Reserve Requirement, if any, attributable to the Refunding Bonds shall be (i) funded with proceeds of the Refunding Bonds, amounts previously on deposit in a reserve account on behalf of the Refunded Bonds, a Reserve Account Credit Facility, or some combination thereof, as determined by the Director, and (ii) deposited in the Reserve Account which was created pursuant to Section 4.02 of the Original Resolution. Amounts on deposit in the Reserve Account, if any, may be commingled with the amounts deposited for Bonds of additional Series which are secured thereby, shall be held for the benefit of the Registered Owners of only such Bonds as may be specifically secured by the Reserve Account, and shall be applied in the manner provided in the Original Resolution.

The Reserve Requirement for the Refunding Bonds, if any, shall be deposited, as determined by the Director, in either a subaccount in the Reserve Account established for any of the Outstanding Bonds or in a subaccount in such Reserve Account which is hereby established for the Refunding Bonds. Amounts on deposit in any subaccount in the Reserve Account may be commingled with the amounts deposited for Bonds of additional Series which are secured thereby, shall be held for the benefit of the Registered Owners of only such Bonds as may be specifically secured by the respective subaccount, and shall be applied in the manner provided in the Resolution.

(N) Any portion of the Refunding Bonds may be issued as a separate series, provided that the Refunding Bonds of each series shall be numbered consecutively from one upward. The Refunding Bonds referred to herein may be sold separately or combined with any other Bonds authorized by the Division to be sold.

(O) The Director is hereby authorized to offer for sale a lesser principal amount of Refunding Bonds than that set forth in this First Supplemental Resolution and to adjust the maturity schedule and redemption provisions for the Refunding Bonds, if necessary, to reflect the issuance of such lesser amount, and to modify the Notice of Bond Sale as may be required. Any portion of the Refunding Bonds not offered shall remain authorized to be offered at a later date.

(P) The Director is authorized to provide in the Notice of Bond Sale of the Refunding Bonds that the purchase price for the Refunding Bonds may include a discount of not to exceed 3%, excluding original issue discount, if any, of the aggregate principal amount of such Refunding Bonds offered for sale.

(Q) The Chairman, Secretary and any Assistant Secretary of the Governing Board, the Director, and such other officers and employees of the Division as may be designated by the Governing Board as agents of the Division in connection with the issuance and delivery of the Refunding Bonds, are authorized and empowered, collectively or individually, to take all actions and steps, to execute all instruments, documents, and contracts, and to take all other action on behalf of the Division, in each case as they may deem necessary or desirable, in connection with the execution and delivery of the Refunding Bonds, including but not limited to, contracting with a consultant to verify escrow calculations of the Refunding Bonds, retaining bond counsel to render a special tax opinion relating to the use of the proceeds from the sale of the Refunding Bonds, and providing for redemption of the Refunded Bonds. Notwithstanding anything contained in the Original Resolution to the contrary, it is the intent of the Division that interest on the Refunding Bonds, if issued as tax-exempt Refunding Bonds, be and remain excluded from gross income for federal income tax purposes and therefore to comply with all requirements of federal tax law applicable to such tax-exempt Refunding Bonds, whether such requirements are now in effect, pending or subsequently enacted. The Bonds may be issued as either tax-exempt or taxable bonds as may be determined by the Director. The Division is hereby authorized and directed to take all actions necessary with respect to the Refunding Bonds to comply with such requirements of federal tax law.

SECTION 2.02. AUTHORIZATION TO EXECUTE AND DELIVER AN ESCROW DEPOSIT AGREEMENT; DESIGNATION OF ESCROW AGENT. The Chairman and Secretary or an Assistant Secretary of the Governing Board and such other officers and employees of the Division as may be designated by the Governing Board as agents of the Division are hereby each authorized to execute and deliver an escrow deposit agreement on behalf of the Division in such form as may be determined by the Director for the purpose of providing for the deposit of a portion of the proceeds of the Refunding Bonds and such other funds as determined to be necessary into an escrow deposit trust fund for the refunding of the Refunded Bonds. The escrow deposit trust fund shall be held and administered by an escrow agent acceptable to the Director as evidenced by the Director's execution of the escrow deposit agreement.

SECTION 2.03. APPLICABILITY OF ARTICLE II OF THE ORIGINAL RESOLUTION. Except as otherwise provided in this First Supplemental Resolution, the terms, description, execution, negotiability, redemption, authentication, disposition, replacement, registration, transfer, issuance and form of the Refunding Bonds shall be governed by the provisions of Article II of the Original Resolution, adjusted to the extent necessary to apply to the Refunding Bonds.

ARTICLE III APPLICATION OF PROCEEDS

SECTION 3.01. APPLICATION OF REFUNDING BOND PROCEEDS. Upon receipt of the proceeds of the sale of the Refunding Bonds, and after reserving an amount sufficient to pay all costs and expenses incurred in connection with the preparation, issuance, and sale of the Refunding Bonds, including a reasonable charge for the Division's services, including arbitrage rebate compliance, the Division shall transfer and deposit the remainder of the Refunding Bond proceeds as follows:

(1) Any accrued interest or amounts to be used to pay interest for a specified period of time shall be transferred to the Board of Administration and deposited into the Sinking Fund, created by the Original Resolution, and used for the payment of interest on the Refunding Bonds.

(2) An amount which, together with other moneys available therefor and on deposit in the Reserve Account, is necessary to fund the Reserve Requirement shall be transferred to the Board of Administration and deposited in the applicable subaccount in the Reserve Account within the Sinking Fund. Alternatively, the Board of Governors, as provided in Section 4.02 of the Original Resolution, may elect at any time to provide in lieu of all or a portion of such funds a Reserve Account Credit Facility in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the applicable sub-account in the Reserve Account.

(3) After making the transfers provided for in subsections (1) and (2) above, the balance of the proceeds of the Refunding Bonds shall be transferred to and deposited in escrow

pursuant to the terms of the escrow deposit agreement or, at the discretion of the Director, deposited with the Bond Registrar/Paying Agent, to pay when due (a) the principal amount of the Refunded Bonds, (b) the amount of interest and redemption premium, if any, payable on the Refunded Bonds, and (c) the amount of fees and expenses estimated to be incurred in connection with the payment and retirement of the Refunded Bonds.

(4) Any balance of the proceeds of the Refunding Bonds after providing for the requirements of subsections (1) through (3) above shall be transferred to the Sinking Fund and used for the purposes set forth therein.

ARTICLE IV SECURITY FOR THE BONDS

SECTION 4.01. REFUNDING BONDS ON A PARITY WITH THE OUTSTANDING BONDS. The Refunding Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Revenues and in all other respects, with the Outstanding Bonds.

SECTION 4.02. REFUNDING BONDS SECURED BY ORIGINAL RESOLUTION. The Refunding Bonds shall be deemed to have been issued pursuant to the Original Resolution, as supplemented by this First Supplemental Resolution, as fully and to the same extent as the Outstanding Bonds, and all of the covenants and agreements contained in the Original Resolution shall be deemed to have been made for the benefit of the Registered Owners of the Refunding Bonds as fully and to the same extent as the Registered Owners of the Outstanding Bonds. All of the covenants, agreements, and provisions of the Original Resolution, except to the extent inconsistent herewith, shall be deemed to be part of this First Supplemental Resolution to the same extent as if incorporated verbatim in this First Supplemental Resolution, and shall be fully enforceable in the manner provided in the Original Resolution by any of the Registered Owners of the Refunding Bonds.

ARTICLE V MISCELLANEOUS

SECTION 5.01. RESOLUTION NOT ASSIGNABLE. This First Supplemental Resolution shall not be assignable by the Division or the Board of Administration, except for the benefit of the Registered Owners.

SECTION 5.02. MODIFICATION OR AMENDMENT. Modification or amendment hereof shall be governed by Section 8.02 of the Original Resolution.

SECTION 5.03. CONTINUING DISCLOSURE. (A) If necessary to comply with Rule 15c2-12 of the Securities and Exchange Commission, the Board of Governors agrees to provide

or cause to be provided such information as may be required, from time to time, under such rule or any successor rule applicable to the Board of Governors.

(B) The Director, in conjunction with the appropriate officer of the Board of Governors, is authorized but not directed to execute and deliver any documents or agreement which are necessary to comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission or any successor rule applicable to the Board of Governors.

SECTION 5.04. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants or provisions of this First Supplemental Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants or provisions shall be null and void and shall be deemed separable from the remaining covenants or provisions of this First Supplemental Resolution or of the Refunding Bonds and shall in no way affect the validity or enforceability of any other covenants, agreements or provisions of this First Supplemental Resolution or of the Refunding Bonds issued hereunder.

SECTION 5.05. FISCAL AGENT. Upon the sale and delivery of the Refunding Bonds by the Division on behalf of the Board of Governors, the Board of Administration shall act as the fiscal agent for the Board of Governors with respect to the Refunding Bonds.

SECTION 5.06. REPEAL OF INCONSISTENT RESOLUTIONS AND CANCELLATION OF PRIOR ISSUANCE AUTHORITY. All prior or concurrent resolutions or parts of resolutions inconsistent with this First Supplemental Resolution are hereby amended by this First Supplemental Resolution, but only to the extent of any such inconsistency. The authority for the issuance and delivery of the unissued portion of any bonds previously authorized pursuant to the Original Resolution is hereby canceled.

SECTION 5.07. SUCCESSOR AGENCIES AND OFFICIALS. Any references in the Resolution to offices, bodies, or agencies which have been or are superseded, replaced or abolished by law shall be deemed to refer to the successors of such offices, bodies, and agencies. Any action required or authorized to be taken by an official whose office, body, or agency has been or is so superseded, replaced, or abolished shall be taken by the successor to such official.

SECTION 5.08. CONFIRMATION OF ORIGINAL RESOLUTION. As supplemented by this First Supplemental Resolution, the Original Resolution is in all respects ratified and confirmed, and this First Supplemental Resolution shall be read, taken, and construed as a part of the Original Resolution.

SECTION 5.09. EFFECTIVE DATE. This First Supplemental Resolution shall take effect immediately upon its adoption.

ADOPTED on May 28, 2020.

PURCHASER'S CERTIFICATE

This is to certify that _____ (the "Purchaser") has not requested the Division of Bond Finance on behalf of the Board of Governors of the State of Florida (the "Issuer") or the University of Florida (the "University") to deliver any offering document and has conducted its own investigation, to the extent it deems satisfactory or sufficient, into matters relating to business affairs or conditions (either financial or otherwise) of the Issuer and the University in connection with the issuance of \$_____ State of Florida, Board of Governors, University of Florida Clinical Translational Research Building Revenue Refunding Bond, Series 2020A (Taxable) (the "2020A Bond"), and no inference should be drawn that the Purchaser, in the acceptance of said 2020A Bond, is relying on Bryant Miller Olive P.A. ("Bond Counsel") or the Division of Bond Finance (the "Division") as to any such matters other than the legal opinions rendered by Bond Counsel and by the Division. Any capitalized undefined terms used herein not otherwise defined shall have the meaning set forth in the Issuer's Original Resolution adopted on February 11, 2011, as amended or supplemented from time to time, and specifically as supplemented by the First Supplemental Resolution adopted on May 28, 2020, (collectively, the "Resolution").

We have been afforded access to all information we have requested in making our decision to purchase the 2020A Bond and have had sufficient opportunity to discuss the business of the Issuer and University with its officers, employees and others. We do not require any further information or data incident to our purchase of the 2020A Bond. In purchasing the 2020A Bond, we have relied solely upon our own investigation, examination, and evaluation of the Issuer and the University, the Pledged Revenues, and other relevant matters.

We acknowledge and understand that the Resolution has not been qualified under the Trust Indenture Act of 1939, as amended, and the 2020A Bond is not being registered under Section 3(a)(2) of the Securities Act of 1933, and that neither the Issuer, Bond Counsel nor the Division shall have any obligation to effect any such registration or qualification.

The purchase price to be paid by the Purchaser for the 2020A Bond represents the arm's length price determined pursuant to a competitive bidding process and is the only consideration to be paid for the purchase of the 2020A Bond by the Purchaser. We are not acting as a broker or other intermediary, and are purchasing the 2020A Bond as an investment for our own account and not with a present view to resell or otherwise distribute to the public or other investors. We understand that the 2020A Bond may not be transferred except to an "accredited investor" or "qualified institutional buyer", as such terms are described below, in accordance with the restrictions set forth in the 2020A Bond and the Resolution.

We are an entity as contemplated by Section 517.061(7), Florida Statutes, eligible to participate in exempt transactions. We are not purchasing the 2020A Bond for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of Chapter 517, Florida Statutes.

We are an "accredited investor" as such term is defined in the Securities Act of 1933, as amended, and Regulation D thereunder, or a "qualified institutional buyer" as such term is defined in Rule 144A of the Securities Act of 1933, as amended.

DATED this ____ day of _____, 2020.

[PURCHASER]

By: _____
 Name: _____
 Title: _____
 Email: _____